

ANNUAL STATEMENT

OF THE

Premier Behavioral Systems of Tennessee, LLC

Of

Nashville

in the state of TN

to the Insurance Department

of the State of TN

For the Year Ended

December 31, 2005

2005



ANNUAL STATEMENT

For the Year Ending December 31, 2005
of the Condition and Affairs of the

Premier Behavioral Systems of Tennessee, LLC

NAIC Group Code..... , (Current Period) (Prior Period) NAIC Company Code..... Employer's ID Number..... 62-1641638

Organized under the Laws of TN State of Domicile or Port of Entry TN Country of Domicile US
 Licensed as Business Type..... Is HMO Federally Qualified? Yes [] No []
 Incorporated/Organized..... May 15, 1996 Commenced Business..... July 1, 1996

Statutory Home Office 222 Second Ave. N. Suite 220... Nashville TN 37201
 (Street and Number) (City, State and Zip Code)

Main Administrative Office 222 Second Ave. N. Suite 220... Nashville TN 37201 615-313-4463
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Mail Address 222 Second Ave. N. Suite 220... Nashville TN 37201
 (Street and Number or P. O. Box) (City, State and Zip Code)

Primary Location of Books and Records 222 Second Ave. N. Suite 220... Nashville TN 37201
 (Street and Number) (City, State and Zip Code) (Area Code) (Telephone Number)

Internet Website Address

Statutory Statement Contact Donnie Pennington 615-313-4463
 (Name) (Area Code) (Telephone Number) (Extension)
 drpennington@magellanhealth.com 615-313-4481
 (E-Mail Address) (Fax Number)

Policyowner Relations Contact (City, State and Zip Code) (Area Code) (Telephone Number) (Extension)

OFFICERS

Name	Title	Name	Title
1. Russell C. Petrella	President	2.	
3.		4.	

OTHER

DIRECTORS OR TRUSTEES

William R. Grimm Rene Lerer Russell C. Petrella Russell Harms

State of.....
 County of.....

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

_____ (Signature) Russell C. Petrella 1. (Printed Name) _____ President (Title)	_____ (Signature) William R. Grimm 2. (Printed Name) _____ Director (Title)	_____ (Signature) 3. (Printed Name) _____ (Title)
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Subscribed and sworn to before me This _____ day of _____

a. Is this an original filing? Yes [X] No []

b. If no 1. State the amendment number _____
 2. Date filed _____
 3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	4 Net Admitted Assets
1. Bonds (Schedule D).....	3,315,783		3,315,783	3,321,856
2. Stocks (Schedule D):				
2.1 Preferred stocks.....			0	
2.2 Common stocks.....			0	
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens.....			0	
3.2 Other than first liens.....			0	
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$.....0 encumbrances).....			0	
4.2 Properties held for the production of income (less \$.....0 encumbrances).....			0	
4.3 Properties held for sale (less \$.....0 encumbrances).....			0	
5. Cash (\$.....29,693,755, Sch. E-Part 1), cash equivalents (\$.....0, Sch. E-Part 2) and short-term investments (\$.....0, Sch. DA).....	29,693,755		29,693,755	14,833,883
6. Contract loans (including \$.....0 premium notes).....			0	
7. Other invested assets (Schedule BA).....			0	
8. Receivables for securities.....			0	
9. Aggregate write-ins for invested assets.....	0	0	0	0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	33,009,538	0	33,009,538	18,155,739
11. Title plants less \$.....0 charged off (for Title insurers only).....			0	
12. Investment income due and accrued.....	28,158		28,158	21,771
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in course of collection.....	6,568,262		6,568,262	1,782,662
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$.....0 earned but unbilled premiums).....			0	
13.3 Accrued retrospective premiums.....			0	
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers.....			0	
14.2 Funds held by or deposited with reinsured companies.....			0	
14.3 Other amounts receivable under reinsurance contracts.....			0	
15. Amounts receivable relating to uninsured plans.....			0	
16.1 Current federal and foreign income tax recoverable and interest thereon.....			0	
16.2 Net deferred tax asset.....			0	
17. Guaranty funds receivable or on deposit.....			0	
18. Electronic data processing equipment and software.....			0	
19. Furniture and equipment, including health care delivery assets (\$.....0).....			0	
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			0	
21. Receivables from parent, subsidiaries and affiliates.....			0	2,404,314
22. Health care (\$.....0) and other amounts receivable.....			0	
23. Aggregate write-ins for other than invested assets.....	0	0	0	6,457,259
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23).....	39,605,958	0	39,605,958	28,821,745
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			0	
26. TOTALS (Lines 24 and 25).....	39,605,958	0	39,605,958	28,821,745

DETAILS OF WRITE-INS

0901.....			0	
0902.....			0	
0903.....			0	
0998. Summary of remaining write-ins for Line 9 from overflow page.....	0	0	0	0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	0	0	0	0
2301. Risk Share Receivable.....			0	6,434,905
2302. ASO Receivable.....			0	22,354
2303.....			0	
2398. Summary of remaining write-ins for Line 23 from overflow page.....	0	0	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	0	0	0	6,457,259

LIABILITIES, CAPITAL AND SURPLUS

	Current Period			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$.....0 reinsurance ceded).....	25,731,403		25,731,403	14,853,530
2. Accrued medical incentive pool and bonus amounts.....			0	
3. Unpaid claims adjustment expenses.....			0	
4. Aggregate health policy reserves.....			0	
5. Aggregate life policy reserves.....			0	
6. Property/casualty unearned premium reserve.....			0	
7. Aggregate health claim reserves.....			0	
8. Premiums received in advance.....			0	1,000,000
9. General expenses due or accrued.....	91,506		91,506	108,194
10.1 Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses)).....			0	
10.2 Net deferred tax liability.....			0	
11. Ceded reinsurance premiums payable.....			0	
12. Amounts withheld or retained for the account of others.....			0	
13. Remittances and items not allocated.....			0	
14. Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current).....			0	
15. Amounts due to parent, subsidiaries and affiliates.....	768,586		768,586	356,354
16. Payable for securities.....			0	
17. Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers).....			0	
18. Reinsurance in unauthorized companies.....			0	
19. Net adjustments in assets and liabilities due to foreign exchange rates.....			0	
20. Liability for amounts held under uninsured accident and health plans.....			0	
21. Aggregate write-ins for other liabilities (including \$.....0 current).....	1,947,395	0	1,947,395	1,439,296
22. Total liabilities (Lines 1 to 21).....	28,538,890	0	28,538,890	17,757,374
23. Aggregate write-ins for special surplus funds.....	XXX	XXX	0	0
24. Common capital stock.....	XXX	XXX		
25. Preferred capital stock.....	XXX	XXX		
26. Gross paid in and contributed surplus.....	XXX	XXX	23,245,279	23,245,279
27. Surplus notes.....	XXX	XXX		
28. Aggregate write-ins for other than special surplus funds.....	XXX	XXX	0	0
29. Unassigned funds (surplus).....	XXX	XXX	(12,178,211)	(12,180,908)
30. Less treasury stock at cost:				
30.1 .....0.000 shares common (value included in Line 24 \$.....0).....	XXX	XXX		
30.2 .....0.000 shares preferred (value included in Line 25 \$.....0).....	XXX	XXX		
31. Total capital and surplus (Lines 23 to 28 minus Line 29).....	XXX	XXX	11,067,068	11,064,371
32. Total liabilities, capital and surplus (Lines 22 and 30).....	XXX	XXX	39,605,958	28,821,745

DETAILS OF WRITE-INS

2101. Premium Tax Payable.....	1,149,299		1,149,299	1,344,788
2102. Risk Share Payable.....	571,398		571,398	
2103. Stale Check Liability.....	226,698		226,698	94,508
2198. Summary of remaining write-ins for Line 21 from overflow page.....	0	0	0	0
2199. Totals (Lines 2101 thru 2103 plus 2198) (Line 21 above).....	1,947,395	0	1,947,395	1,439,296
2301.	XXX	XXX		
2302.	XXX	XXX		
2303.	XXX	XXX		
2398. Summary of remaining write-ins for Line 23 from overflow page.....	XXX	XXX	0	0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	XXX	XXX	0	0
2801.	XXX	XXX		
2802.	XXX	XXX		
2803.	XXX	XXX		
2898. Summary of remaining write-ins for Line 28 from overflow page.....	XXX	XXX	0	0
2899. Totals (Lines 2801 thru 2803 plus 2898) (Line 28 above).....	XXX	XXX	0	0

Premier Behavioral Systems of Tennessee, LLC

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member months.....	XXX	7,408,990	9,123,663
2. Net premium income (including \$.....0 non-health premium income).....	XXX	226,639,686	239,093,313
3. Change in unearned premium reserves and reserve for rate credits.....	XXX		
4. Fee-for-service (net of \$.....0 medical expenses).....	XXX		
5. Risk revenue.....	XXX		
6. Aggregate write-ins for other health care related revenues.....	XXX	(3,021,689)	13,468,952
7. Aggregate write-ins for other non-health revenues.....	XXX	0	0
8. Total revenues (Lines 2 to 7).....	XXX	223,617,997	252,562,265
Hospital and Medical:			
9. Hospital/medical benefits.....		102,281,695	112,342,806
10. Other professional services.....		95,312,989	112,813,390
11. Outside referrals.....			
12. Emergency room and out-of-area.....			
13. Prescription drugs.....			
14. Aggregate write-ins for other hospital and medical.....	0	0	0
15. Incentive pool, withhold adjustments and bonus amounts.....			
16. Subtotal (Lines 9 to 15).....	0	197,594,684	225,156,196
Less:			
17. Net reinsurance recoveries.....			
18. Total hospital and medical (Lines 16 minus 17).....	0	197,594,684	225,156,196
19. Non-health claims (net).....			
20. Claims adjustment expenses, including \$.....0 cost containment expenses.....		2,266,397	1,979,714
21. General administrative expenses.....		24,490,061	24,958,897
22. Increase in reserves for life and accident and health contracts including \$.....0 increase in reserves for life only).....			
23. Total underwriting deductions (Lines 18 through 22).....	0	224,351,142	252,094,807
24. Net underwriting gain or (loss) (Lines 8 minus 23).....	XXX	(733,145)	467,458
25. Net investment income earned (Exhibit of Net Investment Income, Line 17).....		733,145	137,047
26. Net realized capital gains or (losses) less capital gains tax of \$.....0.....			
27. Net investment gains or (losses) (Lines 25 plus 26).....	0	733,145	137,047
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)].....			
29. Aggregate write-ins for other income or expenses.....	0	0	0
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29).....	XXX	0	604,505
31. Federal and foreign income taxes incurred.....	XXX		
32. Net income (loss) (Lines 30 minus 31).....	XXX	0	604,505

DETAILS OF WRITE-INS

0601. Risk Share Revenue.....	XXX	(3,021,689)	13,468,952
0602.	XXX		
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page.....	XXX	0	0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	XXX	(3,021,689)	13,468,952
0701.	XXX		
0702.	XXX		
0703.	XXX		
0798. Summary of remaining write-ins for Line 7 from overflow page.....	XXX	0	0
0799. Totals (Lines 0701 thru 0703 plus 0798) (Line 7 above).....	XXX	0	0
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page.....	0	0	0
1499. Totals (Lines 1401 thru 1403 plus 1498) (Line 14 above).....	0	0	0
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page.....	0	0	0
2999. Totals (Lines 2901 thru 2903 plus 2998) (Line 29 above).....	0	0	0

STATEMENT OF REVENUE AND EXPENSES (Continued)

CAPITAL AND SURPLUS ACCOUNT	1 Current Year	2 Prior Year
33. Capital and surplus prior reporting period.....	11,064,371	10,194,055
GAINS AND LOSSES TO CAPITAL & SURPLUS		
34. Net income or (loss) from Line 32.....	0	604,505
35. Change in valuation basis of aggregate policy and claim reserves.....		
36. Change in net unrealized capital gains and (losses) less capital gains tax of \$.....0.....		
37. Change in net unrealized foreign exchange capital gain or (loss).....		
38. Change in net deferred income tax.....		
39. Change in nonadmitted assets.....	2,697	265,811
40. Change in unauthorized reinsurance.....		
41. Change in treasury stock.....		
42. Change in surplus notes.....		
43. Cumulative effect of changes in accounting principles.....		
44. Capital changes:		
44.1 Paid in.....		
44.2 Transferred from surplus (Stock Dividend).....		
44.3 Transferred to surplus.....		
45. Surplus adjustments:		
45.1 Paid in.....		
45.2 Transferred to capital (Stock Dividend).....		
45.3 Transferred from capital.....		
46. Dividends to stockholders.....		
47. Aggregate write-ins for gains or (losses) in surplus.....	0	0
48. Net change in capital and surplus (Lines 34 to 47).....	2,697	870,316
49. Capital and surplus end of reporting period (Line 33 plus 48).....	11,067,068	11,064,371

DETAILS OF WRITE-INS

4701.		
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page.....	0	0
4799. Totals (Lines 4701 thru 4703 plus 4798) (Line 47 above).....	0	0

Premier Behavioral Health of TN, LLC.
BHO TennCare Operations Statement of Revenue and Expenses
For the Year Ending December 31, 2005
Report 2A

	Current Quarter Total	Year to Date Total
Member Months	1,773,423	7,408,990
Revenues		
TennCare Capitation	58,811,807	226,639,685
Risk Share Revenue	(689,987)	(3,021,689)
ASO Revenue	0	0
Investment (Interest)	320,608	733,145
Other Revenues	0	0
Total Revenues	58,442,428	224,351,142
Expenses		
Mental Health & Substance Services		
Inpatient Psychiatric Facility services	12,586,581	54,954,591
Inpatient Substance Abuse Treatment and Detox	694,729	3,669,037
Outpatient Mental Health Services	17,930,009	56,702,059
Outpatient Substance Abuse Treatment and Detox	1,079,952	3,415,016
Housing/Residential Treatment	4,697,281	20,265,942
Specialized Crisis Services	2,206,354	9,027,538
Psychiatric Rehab and Support Services	736,015	3,011,487
Case Management	9,266,277	39,284,545
Forensics		
Other Judicial		
Pharmacy		
Lab Services	209,462	481,944
Transportation	2,074,254	6,782,527
Medical Incentive Pool and Withhold Adjustments		
Occupancy, Depreciation and Amortization	0	0
Other Mental Health and Substance Abuse Services	0	0
PCP and Specialists Services		
Subtotal	51,480,915	197,594,684
Reinsurance Expense Net of Recoveries		
Less:		
Copayments		
Subrogation		
Coordination of Benefits		
Subtotal		
Total Medical and Substance Abuse	51,480,915	197,594,684
Claim Adjustment Expense	587,928	2,266,397
Administration ¹		
Rent	(684,078)	270,241
Salaries and Wages	482,462	11,183,060
Commissions	64,514	64,514
Contributions for benefit plans for employees		
Payments to employees under non-funded benefit plans		
Other employee welfare		
Legal fees and expenses	183,613	187,019
Medical examination fees		
Utilization management		
Certifications and accreditation	(32,547)	7
Auditing, actuarial and other consulting services	(186,585)	1,010,177
Traveling expenses	103,425	340,632
Marketing and advertising	237,659	289,887
Postage, express, telegraph and telephone	(221,380)	535,348
Printing and stationary	141,699	769,650
Occupancy, depreciation and amortization	4,715,402	4,865,996
Rental of equipment	(21,647)	11,789
Outsourced services includes EDP, claims, and other services	242,219	242,219
Books and periodicals		
Boards, bureaus and association fees	44,826	70,773
Insurance, except on real estate		
Collection and bank service charges	(32,460)	3
Group service and administration fees	100,561	100,561
Reimbursements from fiscal intermediaries		
Real estate expenses		
Real estate taxes	4,938	4,938
Bad Debt Expense	0	
Taxes, licenses and fees:		
State and local insurance taxes	0	0
State premium taxes	1,163,276	4,473,580
Insurance department licenses and fees	0	
Payroll taxes	0	
Other (excluding federal income and real estate taxes)	67,687	69,667
Investment expenses not included elsewhere		
Total Administrative Expenses	6,373,585	24,490,061
Total Expenses	58,442,428	224,351,142
Net Income (Loss)	0	0

CASH FLOW

	1 Current Year	2 Prior Year
CASH FROM OPERATIONS		
1. Premiums collected net of reinsurance.....	224,838,700	248,939,882
2. Net investment income.....	746,465	158,859
3. Miscellaneous income.....		
4. Total (Lines 1 through 3).....	225,585,165	249,098,741
5. Benefit and loss related payments.....	189,005,562	230,389,655
6. Net transfers to Separate, Segregated Accounts and Protected Cell Accounts.....		
7. Commissions, expenses paid and aggregate write-ins for deductions.....	21,750,806	30,957,282
8. Dividends paid to policyholders.....		
9. Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses).....		
10. Total (Lines 5 through 9).....	210,756,368	261,346,937
11. Net cash from operations (Line 4 minus Line 10).....	14,828,797	(12,248,196)
CASH FROM INVESTMENTS		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds.....	3,320,000	625,000
12.2 Stocks.....		
12.3 Mortgage loans.....		
12.4 Real estate.....		
12.5 Other invested assets.....		
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments.....		
12.7 Miscellaneous proceeds.....		
12.8 Total investment proceeds (Lines 12.1 to 12.7).....	3,320,000	625,000
13. Cost of investments acquired (long-term only):		
13.1 Bonds.....	3,288,925	627,222
13.2 Stocks.....		
13.3 Mortgage loans.....		
13.4 Real estate.....		
13.5 Other invested assets.....		
13.6 Miscellaneous applications.....		
13.7 Total investments acquired (Lines 13.1 to 13.6).....	3,288,925	627,222
14. Net increase (decrease) in contract loans and premium notes.....		
15. Net cash from investments (Line 12.8 minus Lines 13.7 and 14).....	31,075	(2,222)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes.....		
16.2 Capital and paid in surplus, less treasury stock.....		
16.3 Borrowed funds.....		
16.4 Net deposits on deposit-type contracts and other insurance liabilities.....		
16.5 Dividends to stockholders.....		
16.6 Other cash provided (applied).....		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6).....	0	0
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11 plus Line 15 plus Line 17).....	14,859,872	(12,250,418)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year.....	14,833,883	27,084,301
19.2 End of year (Line 18 plus Line 19.1).....	29,693,755	14,833,883

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical).....				.....0
2. Medicare supplement.....				.....0
3. Dental only.....				.....0
4. Vision only.....				.....0
5. Federal employees health benefits plan.....				.....0
6. Title XVIII - Medicare.....				.....0
7. Title XIX - Medicaid.....	.....226,639,686			.....226,639,686
8. Stop loss.....				.....0
9. Disability income.....				.....0
10. Long-term care.....				.....0
11. Other health.....				.....0
12. Health subtotal (Lines 1 through 11).....	.....226,639,686	.....0	.....0	.....226,639,686
13. Life.....				.....0
14. Property/casualty.....				.....0
15. Totals (Lines 12 to 14).....	.....226,639,686	.....0	.....0	.....226,639,686

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital and Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct.....	186,716,811							186,716,811					
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	186,716,811	0	0	0	0	0	0	186,716,811	0	0	0	0	0
2. Paid medical incentive pools and bonuses.....	0												
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct.....	25,731,403							25,731,403					
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	25,731,403	0	0	0	0	0	0	25,731,403	0	0	0	0	0
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct.....	0												
4.2 Reinsurance assumed.....	0												
4.3 Reinsurance ceded.....	0												
4.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year.....	0												
6. Net healthcare receivables (a).....	0												
7. Amounts recoverable from reinsurers December 31, current year.....	0												
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct.....	14,853,530							14,853,530					
8.2 Reinsurance assumed.....	0												
8.3 Reinsurance ceded.....	0												
8.4 Net.....	14,853,530	0	0	0	0	0	0	14,853,530	0	0	0	0	0
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct.....	0												
9.2 Reinsurance assumed.....	0												
9.3 Reinsurance ceded.....	0												
9.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year.....	0												
11. Amounts recoverable from reinsurers December 31, prior year.....	0												
12. Incurred benefits:													
12.1 Direct.....	197,594,684	0	0	0	0	0	0	197,594,684	0	0	0	0	0
12.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0	0	0	0
12.4 Net.....	197,594,684	0	0	0	0	0	0	197,594,684	0	0	0	0	0
13. Incurred medical incentive pools and bonuses.....	0	0	0	0	0	0	0	0	0	0	0	0	0

6

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Medical and Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in process of adjustment:													
1.1 Direct.....	0												
1.2 Reinsurance assumed.....	0												
1.3 Reinsurance ceded.....	0												
1.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
2. Incurred but unreported:													
2.1 Direct.....	25,731,403							25,731,403					
2.2 Reinsurance assumed.....	0												
2.3 Reinsurance ceded.....	0												
2.4 Net.....	25,731,403	0	0	0	0	0	0	25,731,403	0	0	0	0	0
3. Amounts withheld from paid claims and capitations:													
3.1 Direct.....	0												
3.2 Reinsurance assumed.....	0												
3.3 Reinsurance ceded.....	0												
3.4 Net.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Totals:													
4.1 Direct.....	25,731,403	0	0	0	0	0	0	25,731,403	0	0	0	0	0
4.2 Reinsurance assumed.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.3 Reinsurance ceded.....	0	0	0	0	0	0	0	0	0	0	0	0	0
4.4 Net.....	25,731,403	0	0	0	0	0	0	25,731,403	0	0	0	0	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical).....					0	
2. Medicare supplement.....					0	
3. Dental only.....					0	
4. Vision only.....					0	
5. Federal employees health benefits plan.....					0	
6. Title XVIII - Medicare.....					0	
7. Title XIX - Medicaid.....	14,102,296	172,614,515	756,362	24,975,041	14,858,658	14,853,530
8. Other health.....					0	
9. Health subtotal (Lines 1 to 8).....	14,102,296	172,614,515	756,362	24,975,041	14,858,658	14,853,530
10. Healthcare receivables (a).....					0	
11. Other non-health.....					0	
12. Medical incentive pools and bonus amounts.....					0	
13. Totals (Lines 9 to 12).....	14,102,296	172,614,515	756,362	24,975,041	14,858,658	14,853,530

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	28,210	634	445	(2)	
2. 2001.....	173,588	18,382	1,693	339	17
3. 2002.....	.XXX	233,125	13,129	(11)	450
4. 2003.....	.XXX	.XXX	234,387	16,799	352
5. 2004.....	.XXX	.XXX	.XXX	212,421	13,283
6. 2005.....	.XXX	.XXX	.XXX	.XXX	172,615

SECTION B - INCURRED HEALTH CLAIMS - GRAND TOTAL

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	33,258	1,814	447	89	
2. 2001.....	189,793	18,961	1,783	788	108
3. 2002.....	.XXX	251,665	14,373	280	856
4. 2003.....	.XXX	.XXX	252,294	17,241	469
5. 2004.....	.XXX	.XXX	.XXX	226,001	13,425
6. 2005.....	.XXX	.XXX	.XXX	.XXX	197,590

12.GT

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - GRAND TOTAL

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expense	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	211,504	194,002	2,660	1.4	196,662	93.0	92		196,754	93.0
2. 2002.....	264,254	246,243	1,958	0.8	248,201	93.9	406		248,607	94.1
3. 2003.....	265,339	251,186	2,379	0.9	253,565	95.6	117		253,682	95.6
4. 2004.....	239,093	212,421	1,464	0.7	213,885	89.5	142		214,027	89.5
5. 2005.....	226,640	186,717	1,971	1.1	188,688	83.3	24,975		213,663	94.3

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Hospital & Medical
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Hospital & Medical
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Hospital & Medical
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare Supp.
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Dental
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Dental
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Vision
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Vision
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Fed Emp Health
NONE**

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Medicare
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Medicare
NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED CLAIMS

(000 Omitted)

SECTION A - PAID HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	28,210	634	445	(2)	
2. 2001.....	173,588	18,382	1,693	339	17
3. 2002.....	.XXX	233,125	13,129	(11)	450
4. 2003.....	.XXX	.XXX	234,387	16,799	352
5. 2004.....	.XXX	.XXX	.XXX	212,421	13,283
6. 2005.....	.XXX	.XXX	.XXX	.XXX	172,615

SECTION B - INCURRED HEALTH CLAIMS - TITLE XIX - MEDICAID

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2001	2 2002	3 2003	4 2004	5 2005
1. Prior.....	33,258	1,814	447	89	
2. 2001.....	189,793	18,961	1,783	788	108
3. 2002.....	.XXX	251,665	14,373	280	856
4. 2003.....	.XXX	.XXX	252,294	17,241	469
5. 2004.....	.XXX	.XXX	.XXX	226,001	13,425
6. 2005.....	.XXX	.XXX	.XXX	.XXX	197,590

12.XI

SECTION C - INCURRED YEAR HEALTH CLAIM AND CLAIM ADJUSTMENT EXPENSE RATIO - TITLE XIX - MEDICAID

Years in Which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claim Payments	3 Claim Adjustment Expense Payments	4 Percent (Col. 3/2)	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 Percent (Col. 5/1)	7 Claims Unpaid	8 Unpaid Claim Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 Percent (Col. 9/1)
1. 2001.....	211,504	194,002	2,660	1.4	196,662	93.0	92		196,754	93.0
2. 2002.....	264,254	246,243	1,958	0.8	248,201	93.9	406		248,607	94.1
3. 2003.....	265,339	251,186	2,379	0.9	253,565	95.6	117		253,682	95.6
4. 2004.....	239,093	212,421	1,464	0.7	213,885	89.5	142		214,027	89.5
5. 2005.....	226,640	186,717	1,971	1.1	188,688	83.3	24,975		213,663	94.3

**U & I Ex.-Pt.2C-Sn A-Paid Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn B-Incurred Claims-Other
NONE**

**U & I Ex.-Pt.2C-Sn C-Expense Ratio-Other
NONE**

**U & I Ex.-Pt.2D
NONE**

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3 General Administrative Expenses	4 Investment Expenses	5 Total
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses			
1. Rent (\$.....0 for occupancy of own building).....			270,241		270,241
2. Salaries, wages and other benefits.....			11,183,060		11,183,060
3. Commissions (less \$.....0 ceded plus \$.....0 assumed).....			64,514		64,514
4. Legal fees and expenses.....			187,019		187,019
5. Certifications and accreditation fees.....			7		7
6. Auditing, actuarial and other consulting services.....			1,010,177		1,010,177
7. Traveling expenses.....			340,632		340,632
8. Marketing and advertising.....			289,887		289,887
9. Postage, express and telephone.....			535,348		535,348
10. Printing and office supplies.....			769,650		769,650
11. Occupancy, depreciation and amortization.....			4,865,996		4,865,996
12. Equipment.....			11,789		11,789
13. Cost or depreciation of EDP equipment and software.....					0
14. Outsourced services including EDP, claims, and other services.....			242,219		242,219
15. Boards, bureaus and association fees.....			70,773		70,773
16. Insurance, except on real estate.....			3		3
17. Collection and bank service charges.....			100,561		100,561
18. Group service and administration fees.....					0
19. Reimbursements by uninsured accident and health plans.....					0
20. Reimbursements from fiscal intermediaries.....					0
21. Real estate expenses.....					0
22. Real estate taxes.....			4,938		4,938
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes.....					0
23.2 State premium taxes.....			4,473,580		4,473,580
23.3 Regulator authority licenses and fees.....					0
23.4 Payroll taxes.....					0
23.5 Other (excluding federal income and real estate taxes).....			69,667		69,667
24. Investment expenses not included elsewhere.....					0
25. Aggregate write-ins for expenses.....	0	2,266,397	0	0	2,266,397
26. Total expenses incurred (Lines 1 to 25).....	0	2,266,397	24,490,061	0	(a) 26,756,458
27. Less expenses unpaid December 31, current year.....			91,506		91,506
28. Add expenses unpaid December 31, prior year.....			108,194		108,194
29. Amounts receivable relating to uninsured accident and health plans, prior year.....					0
30. Amounts receivable relating to uninsured accident and health plans, current year.....					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30).....	0	2,266,397	24,506,749	0	26,773,146

DETAILS OF WRITE-INS

2501. Claims processing expense allocated from parent.....		2,266,397			2,266,397
2502.					0
2503.					0
2598. Summary of remaining write-ins for Line 25 from overflow page.....	0	0	0	0	0
2599. TOTALS (Lines 2501 thru 2503 plus 2598) (Line 25 above).....	0	2,266,397	0	0	2,266,397

(a) Includes management fees of \$.....0 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1 Collected During Year	2 Earned During Year
1. U.S. government bonds.....	(a).....81,808	.....89,952
1.1 Bonds exempt from U.S. tax.....	(a).....	.....
1.2 Other bonds (unaffiliated).....	(a).....	.....
1.3 Bonds of affiliates.....	(a).....	.....
2.1 Preferred stocks (unaffiliated).....	(b).....	.....
2.11 Preferred stocks of affiliates.....	(b).....	.....
2.2 Common stocks (unaffiliated).....	.....	.....
2.21 Common stocks of affiliates.....	.....	.....
3. Mortgage loans.....	(c).....	.....
4. Real estate.....	(d).....	.....
5. Contract loans.....	.....	.....
6. Cash, cash equivalents and short-term investments.....	(e).....643,193	.....643,193
7. Derivative instruments.....	(f).....	.....
8. Other invested assets.....	.....	.....
9. Aggregate write-ins for investment income.....	.....0	.....0
10. Total gross investment income.....	.....725,001	.....733,145
11. Investment expenses.....	.....	(g).....
12. Investment taxes, licenses and fees, excluding federal income taxes.....	.....	(g).....
13. Interest expense.....	.....	(h).....
14. Depreciation on real estate and other invested assets.....	.....	(i).....0
15. Aggregate write-ins for deductions from investment income.....	.....	.....0
16. Total deductions (Lines 11 through 15).....	.....	.....0
17. Net investment income (Line 10 minus Line 16).....	.....	.....733,145

DETAILS OF WRITE-INS

0901. ....	.....	.....
0902. ....	.....	.....
0903. ....	.....	.....
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0
1501. ....	.....	.....
1502. ....	.....	.....
1503. ....	.....	.....
1598. Summary of remaining write-ins for Line 15 from overflow page.....	.....	.....0
1599. Totals (Lines 1501 thru 1503 plus 1598) (Line 15 above).....	.....	.....0

- (a) Includes \$.....26,861 accrual of discount less \$.....1,859 amortization of premium and less \$.....27,876 paid for accrued interest on purchases.
- (b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.
- (c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.
- (e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.
- (f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.
- (g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to Segregated and Separate Accounts.
- (h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.
- (i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1 Realized Gain (Loss) on Sales or Maturity	2 Other Realized Adjustments	3 Increases (Decreases) by Adjustment	4 Total
1. U.S. government bonds.....0
1.1 Bonds exempt from U.S. tax.....0
1.2 Other bonds (unaffiliated).....0
1.3 Bonds of affiliates.....0
2.1 Preferred stocks (unaffiliated).....0
2.11 Preferred stocks of affiliates.....0
2.2 Common stocks (unaffiliated).....0
2.21 Common stocks of affiliates.....0
3. Mortgage loans.....0
4. Real estate.....0
5. Contract loans.....0
6. Cash, cash equivalents and short-term investments.....0
7. Derivative instruments.....0
8. Other invested assets.....0
9. Aggregate write-ins for capital gains (losses).....	.....0	.....0	.....0	.....0
10. Total capital gains (losses).....	.....0	.....0	.....0	.....0

NONE

DETAILS OF WRITE-INS

0901. ....	.....	.....	.....	.....0
0902. ....	.....	.....	.....	.....0
0903. ....	.....	.....	.....	.....0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.....0	.....0	.....0	.....0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.....0	.....0	.....0	.....0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D).....			.0
2. Stocks (Schedule D):			
2.1 Preferred stocks.....			.0
2.2 Common stocks.....			.0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens.....			.0
3.2 Other than first liens.....			.0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company.....			.0
4.2 Properties held for the production of income.....			.0
4.3 Properties held for sale.....			.0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA).....			.0
6. Contract loans.....			.0
7. Other invested assets (Schedule BA).....			.0
8. Receivables for securities.....			.0
9. Aggregate write-ins for invested assets.....	.0	.0	.0
10. Subtotals, cash and invested assets (Lines 1 to 9).....	.0	.0	.0
11. Title plants (for Title insurers only).....			.0
12. Investment income due and accrued.....			.0
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection.....			.0
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due.....			.0
13.3 Accrued retrospective premiums.....			.0
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers.....			.0
14.2 Funds held by or deposited with reinsured companies.....			.0
14.3 Other amounts receivable under reinsurance contracts.....			.0
15. Amounts receivable relating to uninsured plans.....			.0
16.1 Current federal and foreign income tax recoverable and interest thereon.....			.0
16.2 Net deferred tax asset.....			.0
17. Guaranty funds receivable or on deposit.....			.0
18. Electronic data processing equipment and software.....			.0
19. Furniture and equipment, including health care delivery assets.....			.0
20. Net adjustment in assets and liabilities due to foreign exchange rates.....			.0
21. Receivable from parent, subsidiaries and affiliates.....			.0
22. Health care and other amounts receivable.....		2,697	2,697
23. Aggregate write-ins for other than invested assets.....	.0	.0	.0
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 through 23).....	.0	2,697	2,697
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts.....			.0
26. TOTALS (Lines 24 and 25).....	.0	2,697	2,697

DETAILS OF WRITE-INS

0901.....			.0
0902.....			.0
0903.....			.0
0998. Summary of remaining write-ins for Line 9 from overflow page.....	.0	.0	.0
0999. Totals (Lines 0901 thru 0903 plus 0998) (Line 9 above).....	.0	.0	.0
2301.....			.0
2302.....			.0
2303.....			.0
2398. Summary of remaining write-ins for Line 23 from overflow page.....	.0	.0	.0
2399. Totals (Lines 2301 thru 2303 plus 2398) (Line 23 above).....	.0	.0	.0

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health maintenance organizations.....						
2. Provider service organizations.....						
3. Preferred provider organizations.....						
4. Point of service.....						
5. Indemnity only.....						
6. Aggregate write-ins for other lines of business.....	.....627,081	.....627,942	.....638,870	.....592,428	.....589,687	.....7,408,990
7. Total.....	.....627,081	.....627,942	.....638,870	.....592,428	.....589,687	.....7,408,990

DETAILS OF WRITE-INS

0601. Behavioral Health Organization.....	.....627,081	.....627,942	.....638,870	.....592,428	.....589,687	.....7,408,990
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page.....	.....0	.....0	.....0	.....0	.....0	.....0
0699. Totals (Lines 0601 thru 0603 plus 0698) (Line 6 above).....	.....627,081	.....627,942	.....638,870	.....592,428	.....589,687	.....7,408,990

EXHIBIT 2 - ACCIDENT AND HEALTH PREMIUMS DUE AND UNPAID

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
A&H Premiums Due and Unpaid						
0499999. Premiums due and unpaid from Medicaid entities.....	6,568,262					6,568,262
0599999. Accident and health premiums due and unpaid (Page 2, Line 13).....	6,568,262	0	0	0	0	6,568,262

EXHIBIT 3 - HEALTH CARE RECEIVABLES

1 Name of Debtor	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	7 Admitted
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NONE

EXHIBIT 4 - CLAIMS UNPAID AND INCENTIVE POOL, WITHHOLD AND BONUS (Reported and Unreported)

Aging Analysis of Unpaid Claims

1 Account	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 91 - 120 Days	6 Over 120 Days	7 Total
Claims Unpaid (Reported)						
0599999. Unreported claim and other claim reserves.....						25,731,403
0799999. Total claims unpaid.....						25,731,403

EXHIBIT 5 - AMOUNTS DUE FROM PARENT, SUBSIDIARIES AND AFFILIATES

1 Name of Affiliate	2 1 - 30 Days	3 31 - 60 Days	4 61 - 90 Days	5 Over 90 Days	6 Nonadmitted	Admitted	
						7 Current	8 Non-Current

NONE

EXHIBIT 6 - AMOUNTS DUE TO PARENT, SUBSIDIARIES AND AFFILIATES

1 Affiliate	2 Description	3 Amount	4 Current	5 Non-Current
Amounts Due To Parent, Subsidiaries and Affiliates				
Advocare of Tennessee, Inc.....		548,964	548,964	
Tennessee Behavioral Health, Inc.....		41,595	41,595	
Magellan Health Services.....		178,027	178,027	
0199999. Individually listed payables.....		768,586	768,586	0
0399999. Total gross payables.....		768,586	768,586	0

EXHIBIT 7 - PART 1 - SUMMARY OF TRANSACTIONS WITH PROVIDERS

Payment Method	1 Direct Medical Expense Payment	2 Column 1 as a % of Total	3 Total Members Covered	4 Column 3 as a % of Total	5 Column 1 Expenses Paid to Affiliated Providers	6 Column 1 Expenses Paid to Non-Affiliated Providers
Capitation Payments:						
1. Medical groups.....	88,814,245	47.6		0.0		88,814,245
2. Intermediaries.....		0.0		0.0		
3. All other providers.....	744,131	0.4		0.0		744,131
4. Total capitation payments.....	89,558,376	48.0	0	0.0	0	89,558,376
Other Payments:						
5. Fee-for-service.....	62,833,232	33.7	XXX	XXX		62,833,232
6. Contractual fee payments.....	30,349,657	16.3	XXX	XXX		30,349,657
7. Bonus/withhold arrangements - fee-for-service.....		0.0	XXX	XXX		
8. Bonus/withhold arrangements - contractual fee payments.....		0.0	XXX	XXX		
9. Non-contingent salaries.....		0.0	XXX	XXX		
10. Aggregate cost arrangements.....		0.0	XXX	XXX		
11. All other payments.....	3,975,546	2.1	XXX	XXX		3,975,546
12. Total other payments.....	97,158,435	52.0	XXX	XXX	0	97,158,435
13. Total (Line 4 plus Line 12).....	186,716,811	100.0	XXX	XXX	0	186,716,811

23

EXHIBIT 7 - PART 2 - SUMMARY OF TRANSACTIONS WITH INTERMEDIARIES

1 NAIC Code	2 Name of Intermediary	3 Capitation Paid	4 Average Monthly Capitation	5 Intermediary's Total Adjusted Capital	6 Intermediary's Authorized Control Level RBC
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NONE

EXHIBIT 8 - FURNITURE, EQUIPMENT AND SUPPLIES OWNED

Description	1 Cost	2 Improvements	3 Accumulated Depreciation	4 Book Value Less Encumbrances	5 Assets Not Admitted	6 Net Admitted Assets
1. Administrative furniture and equipment.....						.....0
2. Medical furniture, equipment and fixtures.....						.....0
3. Pharmaceuticals and surgical supplies.....						.....0
4. Durable medical equipment.....						.....0
5. Other property and equipment.....						.....0
6. Total.....	.....0	.....0	.....0	.....0	.....0	.....0

NONE

NOTES TO FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

The accompanying financial statements of Premier Behavioral Systems of Tennessee, LLC (the Company or Premier) have been prepared in conformity with the National Association of Insurance Commissioners ("NAIC") Annual Statement Instructions, the NAIC Accounting Practices and Procedures Manual and the accounting practices prescribed or permitted by the State of Tennessee Department of Commerce and Insurance ("TDCI"), which represents a comprehensive basis of accounting other than generally accepted accounting principles ("GAAP").

USE OF ESTIMATES IN PREPARATION OF THE FINANCIAL STATEMENTS

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

CASH AND SHORT TERM INVESTMENTS:

Cash and short-term investments consist of deposits with a financial institution. Such deposits are invested in short-term repurchase agreements of securities issued by or guaranteed by U.S. government or federal government agencies. The carrying value of the deposits approximates market value.

PREMIUMS RECEIVABLE AND REVENUE:

Capitation payments are recognized as revenue in the month due to the Company. The State of Tennessee TennCare mental health services program (TennCare) retains a one month withhold –currently 2.5% - on premiums paid to the Company. The purpose of this withhold is to assure the Company's compliance with all terms and conditions of the Provider Risk Contract (the "Contract").

In February 2003, the Company signed Amendment Five to the Contract, which changed the payment methodology beginning in February 2003. Pursuant to this amendment, TennCare shall not release the care and premium tax portions of the monthly funding until invoices for disbursement are approved by TDCI. Effective with the signing of Amendment Ten, the payment arrangement was changed back to where TennCare releases the full capitation during the month of service.

Per Section 4.7.1.2 of the Contract, the Company elected to participate in a profit/loss risk banding arrangement with the State of Tennessee. Effective January 2002, the company elected to use profit/loss risk banding option 2, under which losses up to ten percent are shared equally by the Company and the State ("option 2"). In January 2003, the company changed its election to Option 4, under which the state absorbs 100% of profits and losses. Risk share revenue is recognized on a monthly basis consistent with the option applicable. The receivable related to the profit/loss risk banding is evaluated monthly, based on current estimates of medical costs. Based on this review, any required adjustment for prior period risk share revenue is recognized.

TDCI has taken the position that the reimbursements relating to the Enhanced Children's Services received during fiscal years 2002 and 2003 should be recorded as deferred revenue until services are provided. Consistent with this determination, the company initially defers all such funding. Revenue related to the funding source is recognized on a monthly basis as funding is sent to providers. This ceased to be a segregated funding source effective July 1, 2004.

INVESTMENTS:

Investment securities at December 31, 2005, consist of U.S. Treasury notes whose maturities at time of acquisition were greater than one year and whose carrying value approximates the fair market value.

MEDICAL CLAIMS PAYABLE:

The liability for medical claims payable includes estimated medical costs as of December 31, 2005 and expenses necessary to cover the ultimate net costs of investigating and settling all claims. The estimated medical claims payable includes the accumulation of estimates for claims reported prior to year-end and estimates of claims incurred but not reported.

Medical claims payable is computed in accordance with generally accepted actuarial practices and is based upon authorized healthcare services and past claims payment experience, together with historical utilization experience and management judgment. Estimates are monitored and reviewed and, as settlements are made or estimates are adjusted, differences are reflected by the Company in current operations.

2 Accounting Changes and Corrections of Errors

The Company prepares its statutory financial statements in conformity with accounting practices prescribed or permitted by the State of Tennessee. Effective January 1, 2001, the State of Tennessee required that insurance companies domiciled in the State of Tennessee to prepare their statutory basis financial statements in accordance with the NAIC *Accounting Practices and Procedures* manual –Version effective January 1, 2001 subject to any deviations prescribed or permitted by the State of Tennessee insurance commissioner.

There have been no significant changes to any estimates, contingent liabilities, leases or any other subsequent event that would impact the presentation of these statements.

3 Business Combinations and Goodwill

None

4 Discontinued Operations

None

NOTES TO FINANCIAL STATEMENTS

5 Investments

The company held no Mortgage Loans, Restructured Debt, Reverse Mortgages, Loan Backed Securities or Repurchase Agreements.

6 Joint Ventures, Partnerships and Limited Liability Companies

None

7 Investment Income

No investment income was excluded from Surplus.

8 Derivative Instruments

None

9 Income Taxes

No provision has been made for federal and state income taxes since such taxes are the responsibility of the individual members.

10 Information Concerning Parent, Subsidiaries and Affiliates

The Company was organized in May 1996 by Premier Holdings, Inc (a wholly-owned subsidiary of AdvoCare), Columbia Behavioral Health, LLC (CBH) and Managed Health Network, Inc. ("Foundation") for the purposes of contracting with the State of Tennessee Department of Mental Health and Mental Retardation to deliver mental health and substance abuse services to participants of TennCare. The contract was effective and operations of the Company commenced July 1, 1996 with the contract, as amended, ending on June 30, 2007. The State, at its discretions, may terminate the contract prior to June 30, 2007 provided it gives the Contractor sixty (60) days notice.

In September 1997, the Company amended and restated its operating agreement by and between Premier Holdings, Inc and CBH whereby each of these entities would have both financial and governance rights equal to 50%.

In 2005, the State of Tennessee paid the Company a monthly capitation amount based on the number of enrollees in the Company's managed care plan. These payments were used to pay for behavioral health services provided to enrollees under various provider arrangements, including agreements with community mental health centers, state regional mental health institutes and to pay for the administrative costs associated with the program.

The Company contracts with various related parties to provide certain administrative and mental health and substance abuse services under individually negotiated service agreements.

In June 1996, AdvoCare of Tennessee, Inc. (AdvoCare) was contracted to manage the operations and clinical services related to the provision of all mental health benefits, to provide outpatient medical and case management services and to arrange primary care provider services. Effective October 1997, AdvoCare began providing the inpatient concurrent review function that had been previously provided by CBH. For the year ended December 31, 2005, the Company incurred expense of approximately \$18,105,175 related to these services.

The Company contracts with Magellan Behavioral Health Systems, LLC. to process and pay medical claims. For the year ended December 31, 2005, the Company incurred approximately \$2,266,397 related to these services.

CBH provides an administrative network function. For the year ended December 31, 2005, the Company incurred expense of approximately \$1,040,000 related to these services.

Premier is 50% owned by Premier Holdings, Inc., a wholly-owned subsidiary of AdvoCare, which is a wholly owned subsidiary of Green Spring Health Services, Inc, which in turn is a wholly owned subsidiary of Magellan Health Services, Inc. (Magellan). The remaining 50% interest in Premier is owned by CBH.

The company holds no investments in any affiliated companies and makes no guarantees nor does it partake in any undertaking for the benefit of any affiliate.

Magellan was required to implement the provisions of fresh-start reporting, as prescribed by the American Institute of Certified Public Accountants Statement of Position 90-7, *Financial Reporting by Entities in Reorganization under the Bankruptcy Code*. The effects of Magellan's adoption of fresh-start reporting did not impact the Company's financial statements.

11 Debt

None

12 Retirement Plans, Deferred Compensation, Post-employment Benefits and Compensated Absences and other Post-retirement Benefit Plans.

Employee Retirement Plan

NOTES TO FINANCIAL STATEMENTS

The Company has no employees. The employees of AdvoCare are covered by the qualified 401-k plan sponsored by Magellan.

The Company has no deferred compensation plan or post-retirement benefit plan.

13 Capital and Surplus, Shareholders Dividend Restrictions and Quasi-Reorganizations.

None

14 Contingencies

The Company is party to various other legal proceedings incidental to its business. In the opinion of management, any ultimate liability with respect to these actions will not materially affect the financial position or results of the Company.

The Company is covered under Magellan's professional liability insurance. Coverage is limited to the period in which a claim is asserted, rather than when the incident giving rise to such claim occurred. Management has the intent to renew the insurance coverage, and historically has been able to renew such coverage. In the event Magellan was unable to obtain professional liability insurance at the expiration of the current policy period, it is possible that the Company would be uninsured for claims asserted after the expiration of the current policy period. The claims-made policy has been renewed through June 17, 2006.

15 Leases

None

16 Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk.

The Company does not have any financial instruments with off-balance sheet risk. Certain financial instruments potentially subject the Company to concentrations of credit risk. These financial instruments consist primarily of cash and cash equivalents, investments and uncollected premiums. The Company maintains its cash and cash equivalents with what it believes to be high quality financial instruments. The fair value of the Company's investments is substantially equivalent to their carrying value and, although there is some credit risk associated with these investments, the Company believes the risk to be minimal. The Company's uncollected premiums as of year-end are current.

17 Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities.

None

18 Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans.

None

19 Direct Premium Written/Produced by Managing General Agents/Third Party Administrators.

None

20 September 11 Events.

None

21 Other Items

Effective July 1, 2004, upon approval from TennCare Bureau, the Board approved a change in the administrative fees paid by the Company to AdvoCare from a Per Member Per Month (PMPM) basis to a percentage of revenue not to exceed 9%.

In late December 2005, the Company signed a contract amendment which extended the contract through June 30, 2007. In addition to extending the contract, the amendment increased the rates effective January 2006 and also changed the risk terms effective January 2006.

22 Events Subsequent

The State of Tennessee has announced it intends to issue a Request for Proposal ("RFP") to procure new Managed Care Organizations in the Middle Grand Region of the State. The behavioral care services provided to TennCare members in the Middle Grand Region by the Company will be a component of this procurement. The start date is anticipated to be January 1, 2007. It is currently unclear what impact this will have on the Company.

23 Reinsurance

None

24 Retrospectively Rated Contracts & Contracts Subject to Redetermination

None

NOTES TO FINANCIAL STATEMENTS

25 Changes in Incurred Claims and Claim Adjustment Expenses

None

26 Intercompany Pooling Arrangements

None

27 Structured Settlements

Not applicable

28 Health Care Receivables

The Company has certain health care receivables generated in the normal course of doing business. As of December 31, 2004, the Company has no such receivables. All such receivables are accounted for consistently with the appropriate NAIC regulations.

29 Participating Policies

None

30 Premium Deficiency Reserve

None

31 Anticipated Salvage and Subrogation

None

SUMMARY INVESTMENT SCHEDULE

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	1 Amount	2 Percentage	3 Amount	4 Percentage
1. Bonds:				
1.1 U.S. treasury securities.....	3,015,786	9.1	3,015,786	9.1
1.2 U.S. government agency obligations (excluding mortgage-backed securities):				
1.21 Issued by U.S. government agencies.....		0.0		0.0
1.22 Issued by U.S. government sponsored agencies.....	299,997	0.9	299,997	0.9
1.3 Foreign government (including Canada, excluding mortgage-backed securities).....		0.0		0.0
1.4 Securities issued by states, territories and possessions and political subdivisions in the U.S.:				
1.41 States, territories and possessions general obligations.....		0.0		0.0
1.42 Political subdivisions of states, territories & possessions & political subdivisions general obligations.....		0.0		0.0
1.43 Revenue and assessment obligations.....		0.0		0.0
1.44 Industrial development and similar obligations.....		0.0		0.0
1.5 Mortgage-backed securities (includes residential and commercial MBS):				
1.51 Pass-through securities:				
1.511 Issued or guaranteed by GNMA.....		0.0		0.0
1.512 Issued or guaranteed by FNMA and FHLMC.....		0.0		0.0
1.513 All other.....		0.0		0.0
1.52 CMOs and REMICs:				
1.521 Issued or guaranteed by GNMA, FNMA, FHLMC or VA.....		0.0		0.0
1.522 Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521.....		0.0		0.0
1.523 All other.....		0.0		0.0
2. Other debt and other fixed income securities (excluding short-term):				
2.1 Unaffiliated domestic securities (includes credit tenant loans rated by the SVO).....		0.0		0.0
2.2 Unaffiliated foreign securities.....		0.0		0.0
2.3 Affiliated securities.....		0.0		0.0
3. Equity interests:				
3.1 Investments in mutual funds.....		0.0		0.0
3.2 Preferred stocks:				
3.21 Affiliated.....		0.0		0.0
3.22 Unaffiliated.....		0.0		0.0
3.3 Publicly traded equity securities (excluding preferred stocks):				
3.31 Affiliated.....		0.0		0.0
3.32 Unaffiliated.....		0.0		0.0
3.4 Other equity securities:				
3.41 Affiliated.....		0.0		0.0
3.42 Unaffiliated.....		0.0		0.0
3.5 Other equity interests including tangible personal property under lease:				
3.51 Affiliated.....		0.0		0.0
3.52 Unaffiliated.....		0.0		0.0
4. Mortgage loans:				
4.1 Construction and land development.....		0.0		0.0
4.2 Agricultural.....		0.0		0.0
4.3 Single family residential properties.....		0.0		0.0
4.4 Multifamily residential properties.....		0.0		0.0
4.5 Commercial loans.....		0.0		0.0
4.6 Mezzanine real estate loans.....		0.0		0.0
5. Real estate investments:				
5.1 Property occupied by company.....		0.0		0.0
5.2 Property held for production of income (including \$.....0 of property acquired in satisfaction of debt).....		0.0		0.0
5.3 Property held for sale (including \$.....0 property acquired in satisfaction of debt).....		0.0		0.0
6. Contract loans.....		0.0		0.0
7. Receivables for securities.....		0.0		0.0
8. Cash, cash equivalents and short-term investments.....	29,693,755	90.0	29,693,755	90.0
9. Other invested assets.....		0.0		0.0
10. Total invested assets.....	33,009,538	100.0	33,009,538	100.0

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [] No [X]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [] No [] N/A [X]
- 1.3 State regulating? _____
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [] No [X]
- 2.2 If yes, date of change: _____
If not previously filed, furnish herewith a certified copy of the instrument as amended. N/A
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 06/30/2004
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 06/30/2004
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 08/26/2005
- 3.4 By what department or departments? _____
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under a common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.11 sales of new business? Yes [] No [X]
- 4.12 renewals? Yes [] No [X]
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:
- 4.21 sales of new business? Yes [] No [X]
- 4.22 renewals? Yes [] No [X]
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [] No [X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.
- | 1
Name of Entity | 2
NAIC Co. Code | 3
State of Domicile |
|---------------------|--------------------|------------------------|
| | | |
- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action, either formal or informal, if a confidentiality clause is part of the agreement.) Yes [] No [X]
- 6.2 If yes, give full information: _____
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control.%
- 7.22 State the nationality(ies) of the foreign person(s) or entity(ies); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(ies) (e.g., individual, corporation, government, manager or attorney-in-fact)
- | 1
Nationality | 2
Type of Entity |
|------------------|---------------------|
| | |
- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company. _____
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.
- | 1
Affiliate Name | 2
Location (City, State) | 3
FRB | 4
OCC | 5
OTS | 6
FDIC | 7
SEC |
|---------------------|-----------------------------|----------|----------|----------|-----------|----------|
| | | | | | | |
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
Ernst & Young, LLP 621 East Pratt Street Baltimore, MD 21202
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Michael J. Cellini (Senior Manager and Consulting Actuary) - Ernst & Young, LLP
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]
- 11.11 Name of real estate holding company: _____
- 11.12 Number of parcels involved
- 11.13 Total book/adjusted carrying value
- 11.2 If yes, provide explanation. _____
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity? _____
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [X] No []
- 12.3 Have there been any changes made to any of the trust indentures during the year? Yes [] No [X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes [] No [] N/A []

BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof? Yes [X] No []
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof? Yes [X] No []
15. Has the reporting entity an established procedure for disclosure to its Board of Directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No []

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
 - 16.11 To directors or other officers \$.....0
 - 16.12 To stockholders not officers \$.....0
 - 16.13 Trustees, supreme or grand (Fraternal only) \$.....0
- 16.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
 - 16.21 To directors or other officers \$.....0
 - 16.22 To stockholders not officers \$.....0
 - 16.23 Trustees, supreme or grand (Fraternal only) \$.....0
- 17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [] No [X]
- 17.2 If yes, state the amount thereof at December 31 of the current year:
 - 17.21 Rented from others \$.....0
 - 17.22 Borrowed from others \$.....0
 - 17.23 Leased from others \$.....0
 - 17.24 Other \$.....0
- 18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments? Yes [] No [X]
- 18.2 If answer is yes:
 - 18.21 Amount paid as losses or risk adjustment \$.....0
 - 18.22 Amount paid as expenses \$.....0
 - 18.23 Other amounts paid \$.....0
- 19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No []
- 19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount. \$.....178,027

INVESTMENT

- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E-Part 3-Special Deposits? Yes [X] No []
- 20.2 If no, give full and complete information relating thereto.

- 21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E-Part 3-Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1) Yes [] No [X]
- 21.2 If yes, state the amount thereof at December 31 of the current year:
 - 21.21 Loaned to others
 - 21.22 Subject to repurchase agreements
 - 21.23 Subject to reverse repurchase agreements
 - 21.24 Subject to dollar repurchase agreements
 - 21.25 Subject to reverse dollar repurchase agreements
 - 21.26 Pledged as collateral
 - 21.27 Placed under option agreements
 - 21.28 Letter stock or securities restricted as to sale
 - 21.29 Other

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount

- 22.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]
- 22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.
- 23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]
- 23.2 If yes, state the amount thereof at December 31 of the current year:
- 24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1-General, Section IV.H-Custodial or Safekeeping Agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
U.S. BANK	150 4th Ave 2nd Floor, Nashville, TN 37219

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

- 24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes [] No [X]

24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

24.05 Identify all investment advisors, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address

- 25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5(b)(1)])? Yes [] No [X]

25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adj. Carrying Value
25.2999. TOTAL		0

- 25.3 For each mutual fund listed in the table above, complete the following schedule:

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

1	2	3	4
Name of Mutual Fund (from the above table)	Name of Significant Holding of the Mutual Fund	Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to Holding	Date of Valuation

26. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1	2	3
	Statement (Admitted) Value	Fair Value	Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds.....	3,315,783	3,311,907	(3,876)
26.2 Preferred stocks.....			0
26.3 Totals.....	3,315,783	3,311,907	(3,876)

26.4 Describe the sources or methods utilized in determining the fair values:

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed?

Yes [X] No []

27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any?

\$.....0

28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1	2
Name	Amount Paid

29.1 Amount of payments for legal expenses, if any?

\$.....0

29.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1	2
Name	Amount Paid

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any?

\$.....0

30.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1	2
Name	Amount Paid

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [] No [X]
- 1.2 If yes, indicate premium earned on U.S. business only
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?
- 1.31 Reason for excluding

- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.
- 1.6 Individual policies:
 - Most current three years:
 - 1.61 Total premium earned
 - 1.62 Total incurred claims
 - 1.63 Number of covered lives
 - All years prior to most current three years:
 - 1.64 Total premium earned
 - 1.65 Total incurred claims
 - 1.66 Number of covered lives
- 1.7 Group policies:
 - Most current three years:
 - 1.71 Total premium earned
 - 1.72 Total incurred claims
 - 1.73 Number of covered lives
 - All years prior to most current three years:
 - 1.74 Total premium earned
 - 1.75 Total incurred claims
 - 1.76 Number of covered lives

2. Health test:

	1 Current Year	2 Prior Year
2.1 Premium Numerator.....	226,639,686	239,093,313
2.2 Premium Denominator.....	226,639,686	239,093,313
2.3 Premium Ratio (2.1/2.2).....	100.0	100.0
2.4 Reserve Numerator.....	25,731,403	14,853,530
2.5 Reserve Denominator.....	25,731,403	14,853,530
2.6 Reserve Ratio (2.4/2.5).....	100.0	100.0

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [] No [X]
- 3.2 If yes, give particulars:

- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and departments been filed with the appropriate regulatory agency? Yes [X] No []
- 4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [] No []
- 5.1 Does the reporting entity have stop-loss reinsurance? Yes [] No [X]
- 5.2 If no, explain:

- 5.3 Maximum retained risk (see instructions):
 - 5.31 Comprehensive medical \$.....0
 - 5.32 Medical only \$.....0
 - 5.33 Medicare supplement \$.....0
 - 5.34 Dental \$.....0
 - 5.35 Other limited benefit plan \$.....0
 - 5.36 Other \$.....0

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:
The company is a behavioral health organization, not a health maintenance organization (HMO). There is no market for reinsurance.

- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base? Yes [X] No []
- 7.2 If no, give details:

- 8. Provide the following information regarding participating providers:
 - 8.1 Number of providers at start of reporting year4,067
 - 8.2 Number of providers at end of reporting year4,413

- 9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [] No [X]
- 9.2 If yes, direct premium earned:
 - 9.21 Business with the rate guarantees between 15-36 months
 - 9.22 Business with rate guarantees over 36 months

- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus arrangements in its provider contracts? Yes [] No [X]

- 10.2 If yes:
 - 10.21 Maximum amount payable bonuses
 - 10.22 Amount actually paid for year bonuses
 - 10.23 Maximum amount payable withholds
 - 10.24 Amount actually paid for year withholds

- 11.1 Is the reporting entity organized as:
 - 11.12 A Medical Group/Staff Model, Yes [] No [X]

GENERAL INTERROGATORIES (continued)

PART 2 - HEALTH INTERROGATORIES

- 11.13 An Individual Practice Association (IPA), or Yes [] No [X]
- 11.14 A Mixed Model (combination of above)? Yes [] No [X]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements? Yes [] No [X]
- 11.3 If yes, show the name of the state requiring such net worth. Tennessee
- 11.4 If yes, show the amount required. \$.....7,104,270
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [] No [X]
- 11.6 If the amount is calculated, show the calculation:
4% of revenue up to \$150,000,000; 1.5% revenue in excess of \$150,000,000

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Tennessee

FIVE-YEAR HISTORICAL DATA

	1 2005	2 2004	3 2003	4 2002	5 2001
Balance Sheet Items (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26).....	39,605,958	28,821,745	52,190,881	27,776,054	35,326,030
2. Total liabilities (Page 3, Line 22).....	28,538,890	17,757,374	41,996,826	28,261,845	23,373,650
3. Statutory surplus.....	(12,178,211)	(12,180,908)	(13,051,224)	(18,231,070)	(6,332,967)
4. Total capital and surplus (Page 3, Line 31).....	11,067,068	11,064,371	10,194,055	(485,791)	11,952,380
Income Statement Items (Page 4)					
5. Total revenues (Line 8).....	223,617,997	252,562,265	279,940,698	271,354,117	211,213,018
6. Total medical and hospital expenses (Line 18).....	197,594,684	225,156,196	248,647,797	251,187,389	188,251,866
7. Claims adjustment expenses (Line 20).....	2,266,397	1,979,714	1,793,886	1,999,548	
8. Total administrative expenses (Line 21).....	24,490,061	24,958,897	25,624,533	28,949,324	23,120,840
9. Net underwriting gain (loss) (Line 24).....	(733,145)	467,458	3,874,482	(10,782,144)	(1,814,261)
10. Net investment gain (loss) (Line 27).....	733,145	137,047	146,161	310,752	1,802,959
11. Total other income (Lines 28 plus 29).....					
12. Net income or (loss) (Line 32).....		604,505	4,020,643	(10,471,392)	(11,302)
Risk-Based Capital Analysis					
13. Total adjusted capital.....	11,067,068	11,064,371	10,194,055	(485,791)	8,729,790
14. Authorized control level risk-based capital.....	6,519,223	7,649,242	8,392,882	8,999,934	5,782,475
Enrollment (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7).....	589,687	627,081	887,376	911,528	1,079,378
16. Total member months (Column 6, Line 7).....	7,408,990	9,123,663	10,552,270	11,765,844	9,732,781
Operating Percentage (Page 4) (Item divided by Page 4, sum of Lines 2, 3, and 5) x 100					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5).....	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Line 18 plus Line 19)....	87.2	94.2	93.7	92.6	89.1
19. Cost containment expenses.....			XXX	XXX	XXX
20. Other claims adjustment expenses.....	1.0	0.8	0.6	0.7	0.8
21. Total underwriting deductions (Line 23).....	99.0	105.4	104.0	104.0	100.1
22. Total underwriting gain (loss) (Line 24).....	(0.3)	0.2	1.5	(4.0)	(0.9)
Unpaid Claims Analysis (U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13 Col. 5).....	14,858,658	18,398,727	16,603,599	20,774,511	33,257,757
24. Estimated liability of unpaid claims - [prior year (Line 13, Col. 6)]	14,853,530	19,243,337	20,249,497	21,252,702	34,799,188
Investments in Parent, Subsidiaries and Affiliates					
25. Affiliated bonds (Sch. D Summary, Line 25, Col. 1).....					
26. Affiliated preferred stocks (Sch D. Summary, Line 39, Col. 1).....					
27. Affiliated common stocks (Sch D. Summary, Line 53, Col. 2).....					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11).....					
29. Affiliated mortgage loans on real estate.....					
30. All other affiliated.....					
31. Total of above Lines 25 to 30.....	0	0	0	0	0



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION.....Premier Behavioral Systems of Tennessee, LLC

2. Nashville, TN

BUSINESS IN THE STATE OF GRAND TOTAL DURING THE YEAR

(Location)

NAIC Group Code.....0

NAIC Company Code.....0

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior year.....	627,081								627,081				
2. First quarter.....	627,942								627,942				
3. Second quarter.....	638,870								638,870				
4. Third quarter.....	592,428								592,428				
5. Current year.....	589,687								589,687				
6. Current year member months.....	7,408,990								7,408,990				
Total Member Ambulatory Encounters for Year:													
7. Physician.....	180,029								180,029				
8. Non-physician.....	879,956								879,956				
9. Totals.....	1,059,985	0	0	0	0	0	0	0	1,059,985	0	0	0	0
10. Hospital patient days incurred.....	165,759								165,759				
11. Number of inpatient admissions.....	12,979								12,979				
12. Health premiums written.....	226,639,686								226,639,686				
13. Life premiums direct.....	0												
14. Property/casualty premiums written.....	0												
15. Health premiums earned.....	226,639,686								226,639,686				
16. Property/casualty premiums earned.....	0												
17. Amount paid for provision of health care services.....	186,716,811								186,716,811				
18. Amount incurred for provision of health care services.....	197,594,684								197,594,684				

30

(a) For health business: number of persons insured under PPO managed care products.....0 and number of persons insured under indemnity only products.....0.



EXHIBIT OF PREMIUMS, ENROLLMENT AND UTILIZATION (a)

REPORT FOR: 1. CORPORATION.....Premier Behavioral Systems of Tennessee, LLC

2. Nashville, TN

BUSINESS IN THE STATE OF TENNESSEE DURING THE YEAR

(Location)

NAIC Group Code.....0

NAIC Company Code.....0

	1 Total	Comprehensive (Hospital & Medical)		4 Medicare Supplement	5 Vision Only	6 Dental Only	7 Federal Employees Health Benefit Plan	8 Title XVIII Medicare	9 Title XIX Medicaid	10 Stop Loss	11 Disability Income	12 Long-Term Care	13 Other
		2 Individual	3 Group										
Total Members at end of:													
1. Prior year.....	627,081								627,081				
2. First quarter.....	627,942								627,942				
3. Second quarter.....	638,870								638,870				
4. Third quarter.....	592,428								592,428				
5. Current year.....	589,687								589,687				
6. Current year member months.....	7,408,990								7,408,990				
Total Member Ambulatory Encounters for Year:													
7. Physician.....	180,029								180,029				
8. Non-physician.....	879,956								879,956				
9. Totals.....	1,059,985	0	0	0	0	0	0	0	1,059,985	0	0	0	0
10. Hospital patient days incurred.....	165,759								165,759				
11. Number of inpatient admissions.....	12,979								12,979				
12. Health premiums written.....	226,639,686								226,639,686				
13. Life premiums direct.....	0												
14. Property/casualty premiums written.....	0												
15. Health premiums earned.....	226,639,686								226,639,686				
16. Property/casualty premiums earned.....	0												
17. Amount paid for provision of health care services.....	186,716,811								186,716,811				
18. Amount incurred for provision of health care services.....	197,594,684								197,594,684				

30

(a) For health business: number of persons insured under PPO managed care products.....0 and number of persons insured under indemnity only products.....0.

SCHEDULE A - VERIFICATION BETWEEN YEARS

Real Estate

1. Book/adjusted carrying value, December 31 of prior year.....	_____
2. Increase (decrease) by adjustment:	
2.1 Totals, Part 1, Column 11.....	_____
2.2 Totals, Part 3, Column 7.....	_____
3. Cost of acquired (Totals, Part 2, Column 6, net of encumbrances (Column 7) and net of additions and permanent improvements (Column 9)).....	_____
4. Cost of additions and permanent improvements:	
4.1 Totals, Part 1, Column 14.....	_____
4.2 Totals, Part 3, Column 9.....	_____
5. Total profit (loss) on sales, Part 3, Column 14.....	_____
6. Increase (decrease) by foreign exchange adjustment:	
6.1 Totals, Part 1, Column 12.....	_____
6.2 Totals, Part 3, Column 8.....	_____
7. Amounts received on sales, Part 3, Column 11 and Part 1, Column 13.....	_____
8. Book/adjusted carrying value at end of current period.....	0
9. Total valuation allowance.....	_____
10. Subtotal (Lines 8 plus 9).....	0
11. Total nonadmitted amounts.....	_____
12. Statement value, current period (Page 2, real estate lines, Net Admitted Assets column).....	0

NONE

SCHEDULE B - VERIFICATION BETWEEN YEARS

Mortgage Loans

1. Book value/recorded investment excluding accrued interest of mortgages owned, December 31 of prior year.....	_____
2. Amount loaned during year:	
2.1 Actual cost at time of acquisitions.....	_____
2.2 Additional investment made after acquisitions.....	0
3. Accrual of discount and mortgage interest points and commitment fees.....	_____
4. Increase (decrease) by adjustment.....	_____
5. Total profit (loss) on sale.....	_____
6. Amounts paid on account or in full during the year.....	_____
7. Amortization of premium.....	_____
8. Increase (decrease) by foreign exchange adjustment.....	_____
9. Book value/recorded investment excluding accrued interest on mortgages owned at end of current period.....	0
10. Total valuation allowance.....	_____
11. Subtotal (Lines 9 plus 10).....	0
12. Total nonadmitted amounts.....	_____
13. Statement value of mortgages owned at end of current period (Page 2, mortgage lines, Net Admitted Assets column).....	0

NONE

SCHEDULE BA - VERIFICATION BETWEEN YEARS

Long-Term Invested Assets

1. Book/adjusted carrying value of long-term invested assets owned, December 31 of prior year.....	_____
2. Cost of acquisitions during year:	
2.1 Actual cost at time of acquisitions.....	_____
2.2 Additional investment made after acquisitions.....	0
3. Accrual of discount.....	_____
4. Increase (decrease) by adjustment.....	_____
5. Total profit (loss) on sale.....	_____
6. Amounts paid on account or in full during the year.....	_____
7. Amortization of premium.....	_____
8. Increase (decrease) by foreign exchange adjustment.....	_____
9. Book/adjusted carrying value of long-term invested assets at end of current period.....	0
10. Total valuation allowance.....	_____
11. Subtotal (Lines 9 plus 10).....	0
12. Total nonadmitted amounts.....	_____
13. Statement value of long-term invested assets at end of current period (Page 2, Line 7, Column 3).....	0

NONE

Premier Behavioral Systems of Tennessee, LLC

SCHEDULE D - SUMMARY BY COUNTRY

Long-Term Bonds and Stocks OWNED December 31 of Current Year

Description		1 Book/Adjusted Carrying Value	2 Fair Value	3 Actual Cost	4 Par Value of Bonds
BONDS					
Governments (Including all obligations guaranteed by governments)	1. United States.....	3,315,783	3,311,907	3,288,925	3,320,000
	2. Canada.....				
	3. Other Countries.....				
	4. Totals.....	3,315,783	3,311,907	3,288,925	3,320,000
States, Territories and Possessions (Direct and guaranteed)	5. United States.....				
	6. Canada.....				
	7. Other Countries.....				
	8. Totals.....	0	0	0	0
Political Subdivisions of States, Territories and Possessions (Direct and guaranteed)	9. United States.....				
	10. Canada.....				
	11. Other Countries.....				
	12. Totals.....	0	0	0	0
Special Revenue and Special Assessment Obligations and all Non-guaranteed Obligations of Agencies and Authorities of Governments and their Political Subdivisions	13. United States.....				
	14. Canada.....				
	15. Other Countries.....				
	16. Totals.....	0	0	0	0
Public Utilities (Unaffiliated)	17. United States.....				
	18. Canada.....				
	19. Other Countries.....				
	20. Totals.....	0	0	0	0
Industrial and Miscellaneous and Credit Tenant Loans (Unaffiliated)	21. United States.....				
	22. Canada.....				
	23. Other Countries.....				
	24. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	25. Totals.....				
	26. Total Bonds.....	3,315,783	3,311,907	3,288,925	3,320,000
PREFERRED STOCKS					
Public Utilities (Unaffiliated)	27. United States.....				
	28. Canada.....				
	29. Other Countries.....				
	30. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	31. United States.....				
	32. Canada.....				
	33. Other Countries.....				
	34. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	35. United States.....				
	36. Canada.....				
	37. Other Countries.....				
	38. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	39. Totals.....				
	40. Total Preferred Stocks.....	0	0	0	0
COMMON STOCKS					
Public Utilities (Unaffiliated)	41. United States.....				
	42. Canada.....				
	43. Other Countries.....				
	44. Totals.....	0	0	0	0
Banks, Trust and Insurance Companies (Unaffiliated)	45. United States.....				
	46. Canada.....				
	47. Other Countries.....				
	48. Totals.....	0	0	0	0
Industrial and Miscellaneous (Unaffiliated)	49. United States.....				
	50. Canada.....				
	51. Other Countries.....				
	52. Totals.....	0	0	0	0
Parent, Subsidiaries and Affiliates	53. Totals.....				
	54. Total Common Stocks.....	0	0	0	0
	55. Total Stocks.....	0	0	0	0
	56. Total Bonds and Stocks....	3,315,783	3,311,907	3,288,925	

SCHEDULE D - VERIFICATION BETWEEN YEARS

Bonds and Stocks

1. Book/adjusted carrying value of bonds and stocks, prior year.....	3,321,856	7. Amortization of premium.....	1,859
2. Cost of bonds and stocks acquired, Column 7, Part 3.....	3,288,925	8. Foreign exchange adjustment:	
3. Accrual of discount.....	26,861	8.1 Column 15, Part 1.....	
4. Increase (decrease) by adjustment:		8.2 Column 19, Part 2, Section 1.....	
4.1 Columns 12 - 14, Part 1.....		8.3 Column 16, Part 2, Section 2.....	
4.2 Columns 15 - 17, Part 2, Section 1.....		8.4 Column 15, Part 4.....	0
4.3 Column 15, Part 2, Section 2.....		9. Book/adjusted carrying value at end of current period.....	3,315,783
4.4 Columns 11 - 13, Part 4.....	0	10. Total valuation allowance.....	
5. Total gain (loss), Column 19, Part 4.....		11. Subtotal (Lines 9 plus 10).....	3,315,783
6. Deduct consideration for bonds and stocks disposed of, Column 7, Part 4....	3,320,000	12. Total nonadmitted amounts.....	
		13. Statement value of bonds and stocks, current year.....	3,315,783

SCHEDULE D - PART 1A - SECTION 1

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Class 1.....		3,315,783				3,315,783	100.0	3,321,856	100.0	3,315,783	
1.2 Class 2.....						0	0.0				
1.3 Class 3.....						0	0.0				
1.4 Class 4.....						0	0.0				
1.5 Class 5.....						0	0.0				
1.6 Class 6.....						0	0.0				
1.7 Totals.....	0	3,315,783	0	0	0	3,315,783	100.0	3,321,856	100.0	3,315,783	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Class 1.....						0	0.0				
2.2 Class 2.....						0	0.0				
2.3 Class 3.....						0	0.0				
2.4 Class 4.....						0	0.0				
2.5 Class 5.....						0	0.0				
2.6 Class 6.....						0	0.0				
2.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
3. States, Territories and Possessions, etc., Guaranteed, Schedules D & DA (Group 3)											
3.1 Class 1.....						0	0.0				
3.2 Class 2.....						0	0.0				
3.3 Class 3.....						0	0.0				
3.4 Class 4.....						0	0.0				
3.5 Class 5.....						0	0.0				
3.6 Class 6.....						0	0.0				
3.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Class 1.....						0	0.0				
4.2 Class 2.....						0	0.0				
4.3 Class 3.....						0	0.0				
4.4 Class 4.....						0	0.0				
4.5 Class 5.....						0	0.0				
4.6 Class 6.....						0	0.0				
4.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
5. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Class 1.....						0	0.0				
5.2 Class 2.....						0	0.0				
5.3 Class 3.....						0	0.0				
5.4 Class 4.....						0	0.0				
5.5 Class 5.....						0	0.0				
5.6 Class 6.....						0	0.0				
5.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusting Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
6. Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1 Class 1.....						0	0.0				
6.2 Class 2.....						0	0.0				
6.3 Class 3.....						0	0.0				
6.4 Class 4.....						0	0.0				
6.5 Class 5.....						0	0.0				
6.6 Class 6.....						0	0.0				
6.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
7. Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1 Class 1.....						0	0.0				
7.2 Class 2.....						0	0.0				
7.3 Class 3.....						0	0.0				
7.4 Class 4.....						0	0.0				
7.5 Class 5.....						0	0.0				
7.6 Class 6.....						0	0.0				
7.7 Totals.....	0	0			0	0	0.0	0		0	0
8. Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1 Class 1.....						0	0.0				
8.2 Class 2.....						0	0.0				
8.3 Class 3.....						0	0.0				
8.4 Class 4.....						0	0.0				
8.5 Class 5.....						0	0.0				
8.6 Class 6.....						0	0.0				
8.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
9. Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1 Class 1.....						0	0.0				
9.2 Class 2.....						0	0.0				
9.3 Class 3.....						0	0.0				
9.4 Class 4.....						0	0.0				
9.5 Class 5.....						0	0.0				
9.6 Class 6.....						0	0.0				
9.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0

34

NONE

SCHEDULE D - PART 1A - SECTION 1 (continued)

Quality and Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Types of Issues and NAIC Designations

Quality Rating per the NAIC Designation	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed (a)
10. Total Bonds Current Year											
10.1 Class 1.....	0	3,315,783	0	0	0	3,315,783	100.0	XXX	XXX	3,315,783	0
10.2 Class 2.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.3 Class 3.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Class 4.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Class 5.....	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.6 Class 6.....	0	0	0	0	0	(c) 0	0.0	XXX	XXX	0	0
10.7 Totals.....	0	3,315,783	0	0	0	(b) 3,315,783	100.0	XXX	XXX	3,315,783	0
10.8 Line 10.7 as a % of Col. 6.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Class 1.....		3,321,856				XXX	XXX	3,321,856	100.0	3,321,856	
11.2 Class 2.....						XXX	XXX	0	0.0	0	
11.3 Class 3.....						XXX	XXX	0	0.0	0	
11.4 Class 4.....						XXX	XXX	0	0.0	0	
11.5 Class 5.....						XXX	XXX	(c) 0	0.0	0	
11.6 Class 6.....						XXX	XXX	(c) 0	0.0	0	
11.7 Totals.....	0	3,321,856	0	0	0	XXX	XXX	(b) 3,321,856	100.0	3,321,856	0
11.8 Line 11.7 as a % of Col. 8.....	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Class 1.....		3,315,783				3,315,783	100.0	3,321,856	100.0	3,315,783	XXX
12.2 Class 2.....						0	0.0	0	0.0	0	XXX
12.3 Class 3.....						0	0.0	0	0.0	0	XXX
12.4 Class 4.....						0	0.0	0	0.0	0	XXX
12.5 Class 5.....						0	0.0	0	0.0	0	XXX
12.6 Class 6.....						0	0.0	0	0.0	0	XXX
12.7 Totals.....	0	3,315,783	0	0	0	3,315,783	100.0	3,321,856	100.0	3,315,783	XXX
12.8 Line 12.7 as a % of Col. 6.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Class 1.....						0	0.0	0	0.0	XXX	0
13.2 Class 2.....						0	0.0	0	0.0	XXX	0
13.3 Class 3.....						0	0.0	0	0.0	XXX	0
13.4 Class 4.....						0	0.0	0	0.0	XXX	0
13.5 Class 5.....						0	0.0	0	0.0	XXX	0
13.6 Class 6.....						0	0.0	0	0.0	XXX	0
13.7 Totals.....	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

35

- (a) Includes \$.....0 freely tradable under SEC Rule 144 or qualified for resale under SEC Rule 144A.
- (b) Includes \$.....0 current year, \$.....0 prior year of bonds with Z designations and \$.....0 current year, \$.....0 prior year of bonds with Z* designations. The letter "Z" means the NAIC designation was not assigned by the Securities Valuation Office (SVO) at the date of the statement. "Z*" means the SVO could not evaluate the obligation because valuation procedures for the security class are under regulatory review.
- (c) Includes \$.....0 current year, \$.....0 prior year of bonds with 5* designations and \$.....0 current year, \$.....0 prior year of bonds with 6* designations. "5*" means the NAIC designation was assigned by the SVO in reliance on the insurer's certification that the issuer is current in all principal and interest payments. "6*" means the NAIC designation was assigned by the SVO due to inadequate certification of principal and interest payments.

SCHEDULE D - PART 1A - SECTION 2

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
Distribution by Type											
1. U.S. Governments, Schedules D & DA (Group 1)											
1.1 Issuer Obligations.....		3,315,783				3,315,783	100.0	3,321,856	100.0	3,315,783	
1.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
1.7 Totals.....	0	3,315,783	0	0	0	3,315,783	100.0	3,321,856	100.0	3,315,783	0
2. All Other Governments, Schedules D & DA (Group 2)											
2.1 Issuer Obligations.....						0	0.0				
2.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
2.3 Defined.....						0	0.0				
2.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
2.5 Defined.....						0	0.0				
2.6 Other.....						0	0.0				
2.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
3. States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 3)											
3.1 Issuer Obligations.....						0	0.0				
3.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
3.3 Defined.....						0	0.0				
3.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
3.5 Defined.....						0	0.0				
3.6 Other.....						0	0.0				
3.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
4. Political Subdivisions of States, Territories and Possessions, Guaranteed, Schedules D & DA (Group 4)											
4.1 Issuer Obligations.....						0	0.0				
4.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
4.3 Defined.....						0	0.0				
4.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
4.5 Defined.....						0	0.0				
4.6 Other.....						0	0.0				
4.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0
5. Special Revenue & Special Assessment Obligations, etc., Non-Guaranteed, Schedules D & DA (Group 5)											
5.1 Issuer Obligations.....						0	0.0				
5.2 Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
5.3 Defined.....						0	0.0				
5.4 Other.....						0	0.0				
MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
5.5 Defined.....						0	0.0				
5.6 Other.....						0	0.0				
5.7 Totals.....	0	0	0	0	0	0	0.0	0		0	0

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type		1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
6.	Public Utilities (Unaffiliated), Schedules D & DA (Group 6)											
6.1	Issuer Obligations.....						0	0.0				
6.2	Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
6.3	Defined.....						0	0.0				
6.4	Other.....						0	0.0				
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
6.5	Defined.....						0	0.0				
6.6	Other.....						0	0.0				
6.7	Totals.....	0	0	0	0	0	0	0.0	0		0	0
7.	Industrial & Miscellaneous (Unaffiliated), Schedules D & DA (Group 7)											
7.1	Issuer Obligations.....						0	0.0				
7.2	Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
7.3	Defined.....						0	0.0				
7.4	Other.....						0	0.0				
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
7.5	Defined.....						0	0.0				
7.6	Other.....						0	0.0				
7.7	Totals.....	0	0	0	0	0	0	0.0	0		0	0
8.	Credit Tenant Loans, Schedules D & DA (Group 8)											
8.1	Issuer Obligations.....						0	0.0				
8.7	Totals.....	0	0	0	0	0	0	0.0	0		0	0
9.	Parent, Subsidiaries and Affiliates, Schedules D & DA (Group 9)											
9.1	Issuer Obligations.....						0	0.0				
9.2	Single Class Mortgage-Backed/Asset-Backed Securities.....						0	0.0				
	MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:											
9.3	Defined.....						0	0.0				
9.4	Other.....						0	0.0				
	MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:											
9.5	Defined.....						0	0.0				
9.6	Other.....						0	0.0				
9.7	Totals.....	0	0	0	0	0	0	0.0	0		0	0

NONE

SCHEDULE D - PART 1A - SECTION 2 (continued)

Maturity Distribution of All Bonds Owned December 31, At Book/Adjusted Carrying Values By Major Type and Subtype of Issues

Distribution by Type	1 1 Year or Less	2 Over 1 Year Through 5 Years	3 Over 5 Years Through 10 Years	4 Over 10 Years Through 20 Years	5 Over 20 Years	6 Total Current Year	7 Column 6 as a % of Line 10.7	8 Total from Column 6 Prior Year	9 % from Col. 7 Prior Year	10 Total Publicly Traded	11 Total Privately Placed
10. Total Bonds Current Year											
10.1 Issuer Obligations.....	0	3,315,783	0	0	0	3,315,783	100.0	XXX	XXX	3,315,783	0
10.2 Single Class Mortgage-Backed/Asset-Backed Securities..... MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.3 Defined.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.4 Other..... MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.5 Defined.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.6 Other.....	0	0	0	0	0	0	0.0	XXX	XXX	0	0
10.7 Totals.....	0	3,315,783	0	0	0	3,315,783	100.0	XXX	XXX	3,315,783	0
10.8 Line 10.7 as a % of Col. 6.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	0.0
11. Total Bonds Prior Year											
11.1 Issuer Obligations.....		3,321,856				XXX	XXX	3,321,856	100.0	3,321,856	
11.2 Single Class Mortgage-Backed/Asset-Backed Securities..... MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:						XXX	XXX	0	0.0		
11.3 Defined.....						XXX	XXX	0	0.0		
11.4 Other..... MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:						XXX	XXX	0	0.0		
11.5 Defined.....						XXX	XXX	0	0.0		
11.6 Other.....						XXX	XXX	0	0.0		
11.7 Totals.....	0	3,321,856	0	0	0	XXX	XXX	3,321,856	100.0	3,321,856	0
11.8 Line 11.7 as a % of Col. 8.....	0.0	100.0	0.0	0.0	0.0	XXX	XXX	100.0	XXX	100.0	0.0
12. Total Publicly Traded Bonds											
12.1 Issuer Obligations.....		3,315,783				3,315,783	100.0	3,321,856	100.0	3,315,783	XXX
12.2 Single Class Mortgage-Backed/Asset-Backed Securities..... MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:						0	0.0	0	0.0	0	XXX
12.3 Defined.....						0	0.0	0	0.0	0	XXX
12.4 Other..... MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:						0	0.0	0	0.0	0	XXX
12.5 Defined.....						0	0.0	0	0.0	0	XXX
12.6 Other.....						0	0.0	0	0.0	0	XXX
12.7 Totals.....	0	3,315,783	0	0	0	3,315,783	100.0	3,321,856	100.0	3,315,783	XXX
12.8 Line 12.7 as a % of Col. 6.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
12.9 Line 12.7 as a % of Line 10.7, Col. 6, Section 10.....	0.0	100.0	0.0	0.0	0.0	100.0	XXX	XXX	XXX	100.0	XXX
13. Total Privately Placed Bonds											
13.1 Issuer Obligations.....						0	0.0	0	0.0	XXX	0
13.2 Single Class Mortgage-Backed/Asset-Backed Securities..... MULTI-CLASS RESIDENTIAL MORTGAGE-BACKED SECURITIES:						0	0.0	0	0.0	XXX	0
13.3 Defined.....						0	0.0	0	0.0	XXX	0
13.4 Other..... MULTI-CLASS COMMERCIAL MORTGAGE-BACKED/ ASSET-BACKED SECURITIES:						0	0.0	0	0.0	XXX	0
13.5 Defined.....						0	0.0	0	0.0	XXX	0
13.6 Other.....						0	0.0	0	0.0	XXX	0
13.7 Totals.....	0	0	0	0	0	0	0.0	0	0.0	XXX	0
13.8 Line 13.7 as a % of Col. 6.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0
13.9 Line 13.7 as a % of Line 10.7, Col. 6, Section 10.....	0.0	0.0	0.0	0.0	0.0	0.0	XXX	XXX	XXX	XXX	0.0

**Sch. DA-Pt. 2-Verification of Short-Term Investments Between Years
NONE**

**Sch. DB-Pt.A-Verification Between Years
NONE**

**Sch. DB-Pt.B-Verification Between Years
NONE**

**Sch. DB-Pt.C-Verification Between Years
NONE**

**Sch. DB-Pt.D-Verification Between Years
NONE**

**Sch. DB-Pt.E-Verification
NONE**

**Sch. DB-Pt. F-Sn. 1
NONE**

**Sch. DB-Pt. F-Sn. 2
NONE**

**Sch. S-Pt. 1-Sn. 2
NONE**

**Sch. S-Pt. 2
NONE**

**Sch. S-Pt. 3-Sn. 2
NONE**

**Sch. S-Pt. 4
NONE**

**Sch. S-Pt.5
NONE**

SCHEDULE S - PART 6

Restatement of Balance Sheet to Identify Net Credit for Ceded Reinsurance

	1 As Reported (Net of Ceded)	2 Restatement Adjustments	3 Restated (Gross of Ceded)
ASSETS (Page 2, Col. 3)			
1. Cash and invested assets (Line 10).....	33,009,538		33,009,538
2. Accident and health premiums due and unpaid (Line 13).....	6,568,262		6,568,262
3. Amounts recoverable from reinsurers (Line 14.1).....			.0
4. Net credit for ceded reinsurance.....	XXX		.0
5. All other admitted assets (balance).....	28,158		28,158
6. Totals assets (Line 26).....	39,605,958	.0	39,605,958
LIABILITIES, CAPITAL AND SURPLUS (Page 3)			
7. Claims unpaid (Line 1).....	25,731,403		25,731,403
8. Accrued medical incentive pool and bonus payments (Line 2).....			.0
9. Premiums received in advance (Line 8).....			.0
10. Reinsurance in unauthorized companies (Line 18).....			.0
11. All other liabilities (balance).....	2,807,487		2,807,487
12. Total liabilities (Line 22).....	28,538,890	.0	28,538,890
13. Total capital and surplus (Line 31).....	11,067,068	XXX	11,067,068
14. Total liabilities, capital and surplus (Line 32).....	39,605,958	.0	39,605,958
NET CREDIT FOR CEDED REINSURANCE			
15. Claims unpaid.....	.0		.0
16. Accrued medical incentive pool.....	.0		.0
17. Premiums received in advance.....	.0		.0
18. Reinsurance recoverable on paid losses.....	.0		.0
19. Other ceded reinsurance recoverables.....	.0		.0
20. Total ceded reinsurance recoverables.....	.0		.0
21. Premiums receivable.....	.0		.0
22. Unauthorized reinsurance.....	.0		.0
23. Other ceded reinsurance payables/offsets.....	.0		.0
24. Total ceded reinsurance payables/offsets.....	.0		.0
25. Total net credit for ceded reinsurance.....	.0		.0

Premier Behavioral Systems of Tennessee, LLC

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

State, Etc.	1 Guaranty Fund (YES or NO)	2 Is Insurer Licensed? (YES or NO)	Direct Business Only					
			3 Accident & Health Premiums	4 Medicare Title XVIII	5 Medicaid Title XIX	6 Federal Employees Health Benefits Program Premiums	7 Life & Annuity Premiums and Deposit-Type Contract Funds	8 Property/Casualty Premiums
1. Alabama.....AL	NO	NO						
2. Alaska.....AK	NO	NO						
3. Arizona.....AZ	NO	NO						
4. Arkansas.....AR	NO	NO						
5. California.....CA	NO	NO						
6. Colorado.....CO	NO	NO						
7. Connecticut.....CT	NO	NO						
8. Delaware.....DE	NO	NO						
9. District of Columbia.....DC	NO	NO						
10. Florida.....FL	NO	NO						
11. Georgia.....GA	NO	NO						
12. Hawaii.....HI	NO	NO						
13. Idaho.....ID	NO	NO						
14. Illinois.....IL	NO	NO						
15. Indiana.....IN	NO	NO						
16. Iowa.....IA	NO	NO						
17. Kansas.....KS	NO	NO						
18. Kentucky.....KY	NO	NO						
19. Louisiana.....LA	NO	NO						
20. Maine.....ME	NO	NO						
21. Maryland.....MD	NO	NO						
22. Massachusetts.....MA	NO	NO						
23. Michigan.....MI	NO	NO						
24. Minnesota.....MN	NO	NO						
25. Mississippi.....MS	NO	NO						
26. Missouri.....MO	NO	NO						
27. Montana.....MT	NO	NO						
28. Nebraska.....NE	NO	NO						
29. Nevada.....NV	NO	NO						
30. New Hampshire.....NH	NO	NO						
31. New Jersey.....NJ	NO	NO						
32. New Mexico.....NM	NO	NO						
33. New York.....NY	NO	NO						
34. North Carolina.....NC	NO	NO						
35. North Dakota.....ND	NO	NO						
36. Ohio.....OH	NO	NO						
37. Oklahoma.....OK	NO	NO						
38. Oregon.....OR	NO	NO						
39. Pennsylvania.....PA	NO	NO						
40. Rhode Island.....RI	NO	NO						
41. South Carolina.....SC	NO	NO						
42. South Dakota.....SD	NO	NO						
43. Tennessee.....TN	YES	YES			226,639,686			
44. Texas.....TX	NO	NO						
45. Utah.....UT	NO	NO						
46. Vermont.....VT	NO	NO						
47. Virginia.....VA	NO	NO						
48. Washington.....WA	NO	NO						
49. West Virginia.....WV	NO	NO						
50. Wisconsin.....WI	NO	NO						
51. Wyoming.....WY	NO	NO						
52. American Samoa.....AS	NO	NO						
53. Guam.....GU	NO	NO						
54. Puerto Rico.....PR	NO	NO						
55. U.S. Virgin Islands.....VI	NO	NO						
56. Canada.....CN	NO	NO						
57. Aggregate Other alien.....OT	XXX	XXX	0	0	0	0	0	0
58. Subtotal.....	XXX	XXX	0	0	226,639,686	0	0	0
59. Reporting entity contributions for Employee Benefit Plans.....	XXX	XXX						
60. Total (Direct Business).....	XXX	(a) 1	0	0	226,639,686	0	0	0

DETAILS OF WRITE-INS

5701.								
5702.								
5703.								
5798. Summary of remaining write-ins for line 57 from overflow page.....			0	0	0	0	0	0
5799. Total (Lines 5701 thru 5703 plus 5798) (Line 57 above).....			0	0	0	0	0	0

Explanation of basis of allocation by states, premiums by state, etc.

(a) Insert the number of yes responses except for Canada and Other Alien.

SCHEDULE T - PART 2

INTERSTATE COMPACT PRODUCTS - EXHIBIT OF PREMIUMS WRITTEN

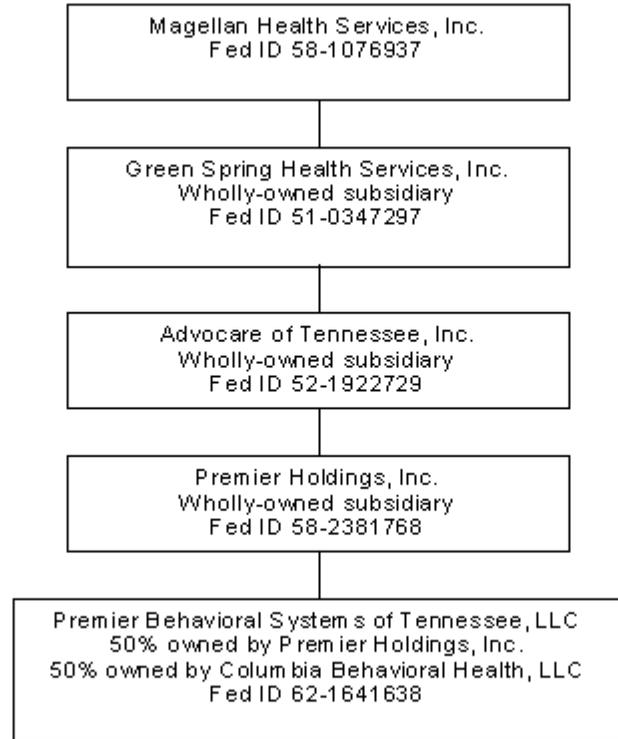
Allocated by States and Territories

States, Etc.	Direct Business Only					
	1 Life (Group and Individual)	2 Annuities (Group and Individual)	3 Disability Income (Group and Individual)	4 Long-Term Care (Group and Individual)	5 Deposit-Type Contracts	6 Totals
1. Alabama.....AL						0
2. Alaska.....AK						0
3. Arizona.....AZ						0
4. Arkansas.....AR						0
5. California.....CA						0
6. Colorado.....CO						0
7. Connecticut.....CT						0
8. Delaware.....DE						0
9. District of Columbia.....DC						0
10. Florida.....FL						0
11. Georgia.....GA						0
12. Hawaii.....HI						0
13. Idaho.....ID						0
14. Illinois.....IL						0
15. Indiana.....IN						0
16. Iowa.....IA						0
17. Kansas.....KS						0
18. Kentucky.....KY						0
19. Louisiana.....LA						0
20. Maine.....ME						0
21. Maryland.....MD						0
22. Massachusetts.....MA						0
23. Michigan.....MI						0
24. Minnesota.....MN						0
25. Mississippi.....MS						0
26. Missouri.....MO						0
27. Montana.....MT						0
28. Nebraska.....NE						0
29. Nevada.....NV						0
30. New Hampshire.....NH						0
31. New Jersey.....NJ						0
32. New Mexico.....NM						0
33. New York.....NY						0
34. North Carolina.....NC						0
35. North Dakota.....ND						0
36. Ohio.....OH						0
37. Oklahoma.....OK						0
38. Oregon.....OR						0
39. Pennsylvania.....PA						0
40. Rhode Island.....RI						0
41. South Carolina.....SC						0
42. South Dakota.....SD						0
43. Tennessee.....TN						0
44. Texas.....TX						0
45. Utah.....UT						0
46. Vermont.....VT						0
47. Virginia.....VA						0
48. Washington.....WA						0
49. West Virginia.....WV						0
50. Wisconsin.....WI						0
51. Wyoming.....WY						0
52. American Samoa.....AS						0
53. Guam.....GU						0
54. Puerto Rico.....PR						0
55. US Virgin Islands.....VI						0
56. Canada.....CN						0
57. Aggregate Other Alien.....OT						0
58. Totals.....	0	0	0	0	0	0

NONE

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART



SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 - ORGANIZATIONAL CHART

SCHEDULE Y (Continued)

PART 2 - SUMMARY OF INSURER'S TRANSACTIONS WITH ANY AFFILIATES

1	2	3	4	5	6	7	8	9	10	11	12	13
NAIC Company Code	Federal ID Number	Names of Insurers and Parent, Subsidiaries or Affiliates	Shareholder Dividends	Capital Contributions	Purchases, Sales or Exchanges of Loans, Securities, Real Estate, Mortgage Loans or Other Investments	Income/ (Disbursements) Incurred in Connection with Guarantees or Undertakings for the Benefit of any Affiliate(s)	Management Agreements and Service Contracts	Income/ (Disbursements) Incurred under Reinsurance Agreements	*	Any Other Material Activity Not in the Ordinary Course of the Insurer's Business	Totals	Reinsurance Recoverable/ (Payable) on Losses and/or Reserve Credit Taken/ (Liability)
Affiliated Transactions												
.....	52-1922729.....	AdvoCare of Tennessee, Inc.....	.....	.....	.....	.....	.....	20,397,572	.....	.....	20,397,572	.....
.....	62-1641638.....	Premier Behavioral Systems of Tennessee, LLC.....	.....	.....	.....	.....	.....	(20,397,572)	.....	.....	(20,397,572)	.....
.....	62-1633218.....	Columbia Behavioral Health.....	.....	.....	.....	.....	.....	1,014,000	.....	.....	1,014,000	.....
.....	62-1641638.....	Premier Behavioral Systems of Tennessee, LLC.....	.....	.....	.....	.....	.....	(1,014,000)	.....	.....	(1,014,000)	.....
9999999.	Control Totals.....	.....	.....0	.....0	.....0	.....0	.....0	.....0	.....0	XXX	.....0	.....0

Premier Behavioral Systems of Tennessee, LLC

SUPPLEMENTAL EXHIBITS AND SCHEDULES INTERROGATORIES

The following supplemental reports are required to be filed as part of your statement filing unless specifically waived by the domiciliary state. However, in the event that your domiciliary state waives the filing requirement, your response of WAIVED to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

1. Will the Supplemental Compensation Exhibit be filed with the state of domicile by March 1?
2. Will an actuarial opinion be filed by March 1?
3. Will the Risk-Based Capital Report be filed with the NAIC by March 1?
4. Will the Risk-Based Capital Report be filed with the state of domicile, if required, by March 1?

Responses

YES
YES
NO
YES

APRIL FILING

5. Will the Management's Discussion and Analysis be filed by April 1?
6. Will the Investment Risk Interrogatories be filed by April 1?

YES
YES

JUNE FILING

7. Will an audited financial report be filed by June 1?

YES

The following supplemental reports are required to be filed as part of your statement filing. However, in the event that your company does not transact the type of business for which the special report must be filed, your response of NO to the specific interrogatory will be accepted in lieu of filing a "NONE" report and a bar code will be printed below. If the supplement is required of your company but is not being filed for whatever reason, enter SEE EXPLANATION and provide an explanation following the interrogatory questions.

MARCH FILING

8. Will the Medicare Supplement Insurance Experience Exhibit be filed with the state of domicile and the NAIC by March 1?
9. Will the Supplemental Life data due March 1 be filed with the state of domicile and the NAIC?
10. Will the Supplemental Property/Casualty data due March 1 be filed with the state of domicile and the NAIC?
11. Will Schedule SIS (Stockholder Information Supplement) be filed with the state of domicile by March 1?

NO
NO
NO
NO

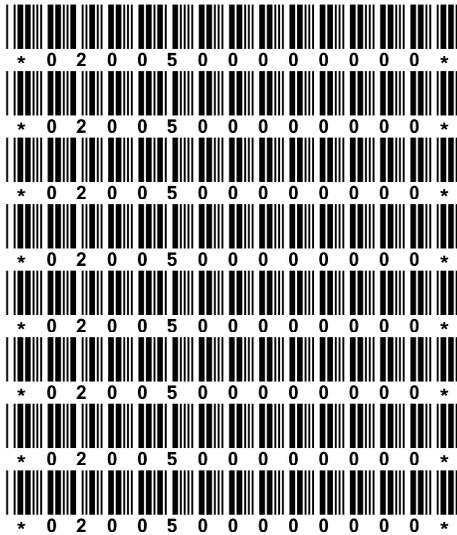
APRIL FILING

12. Will the Long-Term Care Experience Reporting Forms be filed with the state of domicile and the NAIC by April 1?
13. Will the Supplemental Life data due April 1 be filed with the state of domicile and the NAIC?
14. Will the Supplemental Property/Casualty data due April 1 be filed with the state of domicile and the NAIC?

NO
NO
NO

EXPLANATIONS:

BAR CODE:



**Overflow Page
NONE**

**Overflow Page
NONE**

**Sch. A-Pt. 1
NONE**

**Sch. A-Pt. 2
NONE**

**Sch. A-Pt. 3
NONE**

**Sch. B-Pt. 1
NONE**

**Sch. B-Pt. 2
NONE**

**Sch. BA-Pt. 1
NONE**

**Sch. BA-Pt. 2
NONE**

SCHEDULE D - PART 1

Showing all Long-Term BONDS Owned December 31 of Current Year

1	2			Codes			6	7	Fair Value		10	11	Change in Book/Adjusted Carrying Value				Interest					Dates	
				3	4	5			8	9			12	13	14	15	16	17	18	19	20	21	22
CUSIP Identification	Description			*	F o r e i g n	Bond Char	NAIC Designation	Actual Cost	Rate Used to Obtain Fair Value	Fair Value	Par Value	Book/Adjusted Carrying Value	Unrealized Valuation Increase/ (Decrease)	Current Year's (Amortization)/ Accretion	Current Year's Other Than Temporary Impairment Recognized	Total Foreign Exchange Change in B./A.C.V.	Rate of	Effective Rate of	How Paid	Admitted Amount Due and Accrued	Gross Amount Received During Year	Acquired	Maturity
U.S. Government - Issuer Obligations																							
912828 BX 7	US Treasury note.....			..	..	..	1	2,370,302	.....	2,391,264	2,395,000	2,392,958	.....	22,657	.....	.....	1.875	2.900	JJ.....	22,638	39,746	01/21/2005...	01/31/2006...
912828 CF 5	US Treasury note.....			..	..	..	1	618,555	.....	620,925	625,000	622,828	.....	4,204	.....	.....	2.250	3.321	AO.....	(1,556)	7,031	05/05/2005...	04/30/2006...
31359M LU 5	FNMA note.....			..	..	..	1	300,068	.....	299,718	300,000	299,997	.....	(3)	.....	.....	4.750	4.730	JJ.....	7,077	.....	12/15/2005...	01/02/2007...
0199999	U.S. Government - Issuer Obligations.....			..	..	..		3,288,925	...XXX.....	3,311,907	3,320,000	3,315,783	.....	0	.....	0	...XXX.....	...XXX.....	...XXX...	28,159	46,777	...XXX.....	...XXX.....
0399999	Total - U.S. Government.....			..	..	..		3,288,925	...XXX.....	3,311,907	3,320,000	3,315,783	.....	0	.....	0	...XXX.....	...XXX.....	...XXX...	28,159	46,777	...XXX.....	...XXX.....
Totals																							
5499999	Total - Issuer Obligations.....			..	..	..		3,288,925	...XXX.....	3,311,907	3,320,000	3,315,783	.....	0	.....	0	...XXX.....	...XXX.....	...XXX...	28,159	46,777	...XXX.....	...XXX.....
6099999	Grand Total - Bonds.....			..	..	..		3,288,925	...XXX.....	3,311,907	3,320,000	3,315,783	.....	0	.....	0	...XXX.....	...XXX.....	...XXX...	28,159	46,777	...XXX.....	...XXX.....

Sch. D-Pt. 2-Sn. 1
NONE

Sch. D-Pt. 2-Sn. 2
NONE

SCHEDULE D - PART 3

Showing all Long-Term Bonds and Stocks ACQUIRED During Current Year

1 CUSIP Identification	2 Description	3 Foreign	4 Date Acquired	5 Name of Vendor	6 Number of Shares of Stock	7 Actual Cost	8 Par Value	9 Paid for Accrued Interest and Dividends
Bonds - U.S. Government								
912828 BX 7	US Treasury note.....		01/21/2005.....	US Bank.....		2,370,302	2,395,000	21,233
912828 CF 5	US Treasury note.....		05/05/2005.....	US Bank.....		618,555	625,000	191
31359M LU 5	FNMA note.....		12/15/2005.....	US Bank.....		300,068	300,000	6,452
03999999	Total - Bonds - U.S. Government.....					3,288,925	3,320,000	27,876
6099997	Total - Bonds - Part 3.....					3,288,925	3,320,000	27,876
60999999	Total - Bonds.....					3,288,925	3,320,000	27,876
74999999	Total - Bonds, Preferred and Common Stocks.....					3,288,925	XXX	27,876

SCHEDULE D - PART 4

Showing all Long-Term Bonds and Stocks SOLD, REDEEMED or Otherwise DISPOSED OF During Current Year

1 CUSIP Identification	2 Description	3 F o r e i g n	4 Disposal Date	5 Name of Purchaser	6 Number of Shares of Stock	7 Consideration	8 Par Value	9 Actual Cost	10 Prior Year Book/ Adjusted Carrying Value	Change in Book/Adjusted Carrying Value					16 Book/ Adjusted Carrying Value at Disposal Date	17 Foreign Exchange Gain (Loss) on Disposal	18 Realized Gain (Loss) on Disposal	19 Total Gain (Loss) on Disposal	20 Bond Interest/ Stock Dividends Received During Year	21 Maturity Date
										11 Unrealized Valuation Increase/ (Decrease)	12 Current Year's (Amortization)/ Accretion	13 Current Year's Other Than Temporary Impairment Recognized	14 Total Change in B./A.C.V. (11+12-13)	15 Total Foreign Exchange Change in B./A.C.V.						
Bonds - U.S. Government																				
3134AR RV 8	US Treasury note.....	...	01/15/2005	Security matured.....	.....	2,395,000	2,395,000	2,410,266	2,395,554	.....	(554)	.....	(554)	.....	2,395,000	.....	.....	0	22,453	01/15/2005
912828 AX 8	US Treasury note.....	...	04/30/2005	Security matured.....	.....	625,000	625,000	627,222	625,744	.....	(744)	.....	(744)	.....	625,000	.....	.....	0	5,078	04/30/2005
3133MU MU 6	Federal Home Loan Bank.....	...	12/15/2005	Security matured.....	.....	300,000	300,000	301,329	300,558	.....	(558)	.....	(558)	.....	300,000	.....	.....	0	7,500	12/15/2005
0399999	Total - Bonds - U.S. Government.....	.....	.....	.....	.....	3,320,000	3,320,000	3,338,807	3,321,856	.....0	(1,856)	.....0	(1,856)	.....0	3,320,000	.....0	.....0	0	35,031	XXX.....
6099997	Total - Bonds - Part 4.....	.....	.....	.....	.....	3,320,000	3,320,000	3,338,807	3,321,856	.....0	(1,856)	.....0	(1,856)	.....0	3,320,000	.....0	.....0	0	35,031	XXX.....
6099999	Total - Bonds.....	.....	.....	.....	.....	3,320,000	3,320,000	3,338,807	3,321,856	.....0	(1,856)	.....0	(1,856)	.....0	3,320,000	.....0	.....0	0	35,031	XXX.....
7499999	Total - Bonds, Preferred and Common Stocks.....	.....	.....	.....	.....	3,320,000	XXX.....	3,338,807	3,321,856	.....0	(1,856)	.....0	(1,856)	.....0	3,320,000	.....0	.....0	0	35,031	XXX.....

**Sch. D-Pt. 5
NONE**

**Sch. D-Pt. 6-Sn. 1
NONE**

**Sch. D-Pt. 6-Sn. 2
NONE**

**Sch. DA-Pt. 1
NONE**

**Sch. DB-Pt. A-Sn. 1
NONE**

**Sch. DB-Pt. A-Sn. 2
NONE**

**Sch. DB-Pt. A-Sn. 3
NONE**

**Sch. DB-Pt. B-Sn. 1
NONE**

**Sch. DB-Pt. B-Sn. 2
NONE**

**Sch. DB-Pt. B-Sn. 3
NONE**

**Sch. DB-Pt. C-Sn. 1
NONE**

**Sch. DB-Pt. C-Sn. 2
NONE**

**Sch. DB-Pt. C-Sn. 3
NONE**

**Sch. DB-Pt. D-Sn. 1
NONE**

**Sch. DB-Pt. D-Sn. 2
NONE**

**Sch. DB-Pt. D-Sn. 3
NONE**

**Sch. DB-Pt. E-Sn. 1
NONE**

Premier Behavioral Systems of Tennessee, LLC

SCHEDULE E - PART 1 - CASH

1 Depository	2 Code	3 Rate of Interest	4 Amount of Interest Received During Year	5 Amount of Interest Accrued December 31 of Current Year	6 Balance	7 *
Open Depositories						
US Bank..... Depository.....		Variable.....	628,582		29,371,526	XXX
Regions Morgan Keenan..... Safekeeping.....		Variable.....	14,611		322,229	XXX
0199999. Total - Open Depositories.....	.XXX.	.XXX.	643,193	0	29,693,755	XXX
0399999. Total Cash on Deposit.....	.XXX.	.XXX.	643,193	0	29,693,755	XXX
0599999. Total Cash.....	.XXX.	.XXX.	643,193	0	29,693,755	XXX

TOTALS OF DEPOSITORY BALANCES ON THE LAST DAY OF EACH MONTH DURING THE CURRENT YEAR

1. January.....	16,606,216	4. April.....	18,086,910	7. July.....	25,802,638	10. October.....	32,254,881
2. February.....	18,126,156	5. May.....	20,153,970	8. August.....	8,565,350	11. November.....	33,077,087
3. March.....	16,806,811	6. June.....	24,006,229	9. September.....	27,323,110	12. December.....	29,693,755

SCHEDULE E - PART 2 - CASH EQUIVALENTS

Show Investments Owned December 31 of Current Year

1 CUSIP Identification	2 Description	3 Code	4 Date Acquired	5 Rate of Interest	6 Maturity	7 Book/Adjusted Carrying Value	8 Amount of Interest Due & Accrued	9 Gross Investment Income
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NONE

SCHEDULE E - PART 3 - SPECIAL DEPOSITS

States, Etc.	1 Type of Deposit	2 Purpose of Deposit	Deposits with the State of Domicile for the Benefit of All Policyholders		All Other Special Deposits	
			3 Book/Adjusted Carrying Value	4 Fair Value	5 Book/Adjusted Carrying Value	6 Fair Value
1. Alabama.....	AL					
2. Alaska.....	AK					
3. Arizona.....	AZ					
4. Arkansas.....	AR					
5. California.....	CA					
6. Colorado.....	CO					
7. Connecticut.....	CT					
8. Delaware.....	DE					
9. District of Columbia.....	DC					
10. Florida.....	FL					
11. Georgia.....	GA					
12. Hawaii.....	HI					
13. Idaho.....	ID					
14. Illinois.....	IL					
15. Indiana.....	IN					
16. Iowa.....	IA					
17. Kansas.....	KS					
18. Kentucky.....	KY					
19. Louisiana.....	LA					
20. Maine.....	ME					
21. Maryland.....	MD					
22. Massachusetts.....	MA					
23. Michigan.....	MI					
24. Minnesota.....	MN					
25. Mississippi.....	MS					
26. Missouri.....	MO					
27. Montana.....	MT					
28. Nebraska.....	NE					
29. Nevada.....	NV					
30. New Hampshire.....	NH					
31. New Jersey.....	NJ					
32. New Mexico.....	NM					
33. New York.....	NY					
34. North Carolina.....	NC					
35. North Dakota.....	ND					
36. Ohio.....	OH					
37. Oklahoma.....	OK					
38. Oregon.....	OR					
39. Pennsylvania.....	PA					
40. Rhode Island.....	RI					
41. South Carolina.....	SC					
42. South Dakota.....	SD					
43. Tennessee.....	TN	B.... Ensure funding for payment of beneficiary claims.....	3,315,783	3,311,907		
44. Texas.....	TX					
45. Utah.....	UT					
46. Vermont.....	VT					
47. Virginia.....	VA					
48. Washington.....	WA					
49. West Virginia.....	WV					
50. Wisconsin.....	WI					
51. Wyoming.....	WY					
52. American Samoa.....	AS					
53. Guam.....	GU					
54. Puerto Rico.....	PR					
55. US Virgin Islands.....	VI					
56. Canada.....	CN					
57. Aggregate Other Alien.....	OT	XXX.....	0	0	0	0
58. Total.....	XXX	XXX.....	3,315,783	3,311,907	0	0

DETAILS OF WRITE-INS

5701.....						
5702.....						
5703.....						
5798. Summary of remaining write-ins for line 57 from overflow page.....	XXX	XXX.....	0	0	0	0
5799. Total (Lines 5701 thru 5303+5798) (Line 57 above).....	XXX	XXX.....	0	0	0	0